

EXHIBIT A-1

CR No. B00B1002

CONTRACT

XTB1000014

BETWEEN

PROGRESS ENERGY SERVICE COMPANY, LLC
Not in its individual capacity, but solely as agent for

CAROLINA POWER AND LIGHT COMPANY
AND
FLORIDA POWER CORPORATION

AND

OSMOSE, INC.

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CONTRACT NO. XTB1000014

This Contract, effective on February 1, 2001, is entered into between **(PROGRESS ENERGY SERVICE COMPANY, LLC** not in its individual capacity but solely as agent for **CAROLINA POWER & LIGHT COMPANY AND FLORIDA POWER CORPORATION** (hereinafter "Owner"), and **OSMOSE, INC.**, a corporation, whose place of incorporation is New York and whose office is located at 980 Elliott Street, Buffalo, NY 14209 (hereinafter "Contractor").

In consideration of the work to be done by Contractor, the payments to be made by Owner, and the other promises set forth below, the parties agree as follows:

SECTION 1. SCOPE OF WORK

Contractor shall furnish all required labor, tools, equipment, material, parts, transportation, and supervision necessary to perform pole inspection, treatment, and reinforcement for Carolina Power & Light Company and Florida Power Corporation in accordance with Attachment A - Work Scope, B - Inspection and Treatment Specifications, C - Wood Pole Reinforcement Specification, and D - Uniform and Appearance Guideline.

(hereinafter "Work").

Contractor shall organize and staff all Work so as to complete it in a timely manner at the lowest reasonable cost to Owner.

SECTION 2. SCHEDULE OF WORK

The Work described above shall start on February 1, 2001, and shall be completed no later than December 31, 2003. Time is of the essence.

Contractor recognizes that in the electric utility industry, it is frequently necessary for outage-related Work to be rescheduled. Therefore, in accepting this Work, Contractor recognizes that the Work may be rescheduled within a reasonable time of the specified dates and agrees to comply with any reasonable rescheduling of Work, without additional cost to Owner.

If at any time Owner's Designated Representative determines that Contractor's methods, equipment, or work force are inadequate for securing the rate of progress required, he or she may order Contractor to increase its efficiency and adequacy, and Contractor shall improve its methods or change or increase or supplement the work force and equipment and/or perform the Work on an overtime or multiple-shift basis to such an extent as to give reasonable assurance of compliance with the schedule of completion. When so directed by Owner's Designated Representative, Contractor shall submit for approval any supplementary schedules which are necessary to demonstrate the manner in which compliance with the order will be established. If the Contractor does not promptly comply with Owner's directions, Owner may proceed to terminate this Contract under the provisions of Section 11. A. The failure of Owner's Designated Representative to make this demand shall not relieve Contractor of its obligation to ensure the rate of progress required by the Contract.

SECTION 3. COMMENCEMENT OF WORK

Contractor shall not commence the Work and Owner shall not be obligated to pay Contractor for Work commenced prior to:

- (a) Contractor satisfying the insurance requirements and providing Owner with an acceptable Certificate of Insurance as set forth in the Insurance Section.

- (b) Contractor having received from Owner any detailed drawings or specifications to which Contractor's Work is required to conform, as set forth in Section 18.

SECTION 4. OWNER'S DESIGNATED REPRESENTATIVE

As used in this Contract, "Owner's Designated Representative" means CP&L - Donald Gower, CP&L, P. O. Box 1551, (OHS-9) Raleigh, NC 27602 and FPC - Kevin Sullivan, FPC, 2600 Lake Lucien Drive, Suite 400 MT3B, Maitland, FL 32751-7234 who is the liaison between Owner and Contractor during performance of the Work. No agreement with Owner's Designated Representative shall affect or modify any of the terms or obligations contained in this Contract, except as provided in Section 6. Changes. A copy of all correspondence concerning the Work shall be sent to Owner's Designated Representative. Owner reserves the right to change its Designated Representative at any time.

SECTION 5. COMPENSATION

A. Pricing, Pricing Methods, and Conditions

Owner will pay the Contractor as full compensation for the completion of Work described above and performed and accepted by Owner under this Contract, an amount determined under Attachments E-1, E-2, G-1, G-2, and G-3.

The above rates include all payroll taxes, fringe benefits, overhead, and profit to the Contractor for providing these personnel.

B. Taxes

Contractor assumes exclusive liability for all sales or use taxes applicable to any materials, supplies, equipment or tools purchased, rented, leased, used or otherwise consumed by Contractor in conjunction with the performance of the Work.

Contractor shall invoice the sale of tangible personal property separately from the provision of labor or services. Tangible personal property includes, but is not limited to, (a) tools, equipment or other property used by Contractor in performance of the Work; and (b) materials, parts or other property that Contractor installs, incorporates, furnishes or otherwise supplies for Owner's use or consumption that becomes the property of Owner.

Contractor shall separately invoice Owner for property purchased by Owner as part of the Work, the price of installing the property, and the price of any training and/or testing associated with the Work. Invoices for tangible personal property sold to Owner shall contain a note stating, "Property Transferred to Owner."

In any situation where Contractor is responsible for paying the tax, notwithstanding Owner's possession of a "Purchaser's Certificate of Authority to Buy Tangible Personal Property Subject to Sales and Use Tax Without Payment of Tax to Vendor" with North Carolina or a Direct Pay Permit with the State of South Carolina, Contractor shall pay the lowest allowable sales or use tax rate under law for materials and supplies under this contract. Invoices submitted which reflect payment of tax at a higher rate than required by law shall be reduced to reflect only the amount Contractor was legally required to pay. Any excess amount paid by Contractor will not be reimbursed to Contractor.

All contractor invoices for the sale of tangible personal property shall be accompanied by copies of all supplier invoices for the tangible personal property conveyed to Owner. The supplier invoice copies shall contain a note stating "Property Transferred to Owner." For the purposes of this paragraph, the term tangible personal property includes, but is not limited to, (a) tools, equipment or other property used by Contractor in performance of the Work; and (b) materials, parts or other property that Contractor installs, incorporates, furnishes or otherwise supplies for Owner's use or consumption that becomes the property of Owner.

Owner holds a "Purchaser's Certificate of Authority to Buy Tangible Personal Property Subject to Sales and Use Tax without Payment of Tax to Vendor" (Certificate No. 7) with the State of North Carolina and Direct Pay Permit [Certificate No. 1064(19)] with the State of South Carolina. These certificates require Owner to remit sales or use tax on purchases of all property, except real property, directly to the State Departments of Revenue and the appropriate certificate is hereby furnished to Contractor for use on this contract only. Therefore, Contractor shall not include sales or use tax in the contract price or on its invoices to Owner.

Contractor shall provide on its invoices, or in the contract or contract amendments thereto, the cost of materials which enter into or become a part of the property installed on-site in conjunction with the performance of the work. Contractor shall identify these material costs on its invoice as "Property Transferred to Owner."

Contractor assumes exclusive liability for all sales or use taxes applicable to the storage, use or consumption of any materials, supplies or other tangible personal property which Contractor incorporates into any building, structure or other real property constructed during the performance of the Work.

Prior to final payment, Contractor shall furnish to Owner a signed, notarized tax affidavit certifying that all sales or use tax with respect to this property has been paid. The required affidavit is included in this contract as an attachment titled, "N.C. Sales/Use Tax Affidavit."

Contractor shall invoice Owner for the transfer of major components to Owner as a single article where appropriate. Owner will provide, and Contractor shall accept, a North Carolina Department of Revenue Form E-575 Part I where the 1% tax rate is applicable to the sale of mill machinery parts and accessories. The contractor shall provide to their suppliers North Carolina Department of Revenue Form E-580.

C. Invoices and Payments

When Work is completed and performed in accordance with this Contract, payment of the agreed upon compensation will be made by Owner. All payments are subject to adjustment on the basis of any final accounting which may be made by Owner. Owner may withhold from any payment: (1) any amounts incorrectly invoiced; (2) any amount in dispute either because Owner has found the invoice excessive or the Work performed unacceptable; (3) or an amount sufficient to completely protect Owner from any loss, damage or expense arising out of assertions by other parties of any claim or lien against Owner arising in connection with the Work. The undisputed portion of any invoice will be paid by Owner as hereinafter provided.

At the end of each calendar month, the Contractor shall invoice an amount which will be the actual or an estimated value based on a joint determination, either by measurement or approximation, of all the Work done and of all the materials actually in place on the basis of the prices set forth in this Contract.

Invoices for Work performed under this Contract shall be sent to CP&L – Donald Gower, CP&L, P. O. Box 1551, (OHS-9) Raleigh, NC 27602 and FPC – Kevin Sullivan, FPC, 2600 Lake Lucien Drive, Suite 400 MT3B, Maitland, FL 32751-7234. Each invoice and all supporting documents shall show the Owner Contract number. Invoice items must be identifiable to the pricing schedule in order to be accepted for payment.

If requested by Owner, Contractor shall supply a general release of all claims or liens related to the authorized Work, or affidavits that all bills for materials and labor have been paid and receipts showing the payment of these bills. Failure or refusal by Contractor to comply with such request shall excuse Owner from making any further payments to Contractor until Contractor does comply. Owner reserves the right to pay any outstanding obligations of Contractor for labor and materials used in the authorized Work by a check made payable jointly to Contractor and Contractor's vendors, subcontractors or employees. Any payment made in this manner shall apply as a payment to Subcontractor under this Contract. Owner may deduct from any payment any amounts owed to Owner by Contractor.

Each invoice shall indicate materials furnished and erected in place to date. Original bills of handling or shipping receipts for materials shall be attached to any invoice requesting payment for materials. When transportation is prepaid, original transportation receipts must also be attached to the invoices. The invoice shall include a statement or be accompanied by time sheets showing each employee's name, classification, hours worked, applicable rate of compensation to Contractor, rate paid by Contractor to Contractor's employees, and direct overhead on employees. Each time sheet must be signed by Owner's Designated Representative. If any special equipment has been used, the invoice must also specify the equipment used, hours of usage, and rate of reimbursement for use. On-site labor, off-site labor, material, and equipment costs must appear separately on the invoice.

Subject to the above conditions all payments excluding final payment will be made not later than thirty (30) days after receipt of Contractor's invoice. Final payment will be made not later than thirty (30) days after receipt of Contractor's invoice and all of the following have been completed:

Subject to the above conditions, payment will be made not later than thirty (30) days after receipt of Contractor's invoice and all of the following have been completed:

A deduction of ten percent (10%) will be retained from [the amount] [all amounts] invoiced, except the invoice for retention. Subject to the above conditions, payments will be made not later than thirty (30) days after receipt of Contractor's invoice. Retention will be invoiced separately by the Contractor and payment shall be made not later than thirty (30) days after receipt of the invoice and all of the following have been completed:

- (1) All Work has been completed and accepted by Owner, including outstanding punch list items, final cleanup, testing, demobilization, and receipt of all required documentation by Owner.
- (2) A correct invoice covering the Work has been presented to Owner.
- (3) A properly executed NPCD Form No. 119-A (Release From Contractor), included as Attachment I to this Contract, together with any other requested general releases, affidavits or receipts have been provided to Owner.

D. Overtime and Portal-to-Portal Pay

No payment will be made for time and expense in traveling to or from the job site. A workweek shall consist of seven (7) consecutive days, beginning Friday at midnight. As far as possible, Work will be scheduled for five consecutive eight (8) hour weekdays. Payments for Work over a specified number of hours, during certain hours of the day, or on certain days at rates higher than a specified straight-time rate shall

only be made if both the hours for which the overtime rate is applicable and the rate itself are clearly specified in this Contract. Absent such agreement, all time shall be invoiced at the same rate regardless of the days or hours worked. In calculating any overtime payable to Contractor, only hours worked for Owner shall be considered.

E. Overbillings/Offsets/Credits/Refunds

Owner may charge and collect interest from the Contractor on any overbillings, offsets, credits or refunds that may become due to Owner under this Contract. Interest shall be paid at the rate of the average prime rate of interest as listed in the Wall Street Journal Money Rates Section. Interest shall cover the period of time from the date the overpayment, error or basis for refund or offset occurred to the date the amount is paid. The Contractor may be notified of the overbilling by credit memorandum or by invoice. Payment of the total overbilling, offset, credit or refund plus interest shall become due to Owner immediately upon Contractor's receipt.

SECTION 6. CHANGES

As soon as reasonably possible, not to exceed ten (10) calendar days from receipt of a request from Owner's Designated Representative, Contractor shall provide Owner with a fixed price quotation or cost estimate for any change under consideration by Owner, including any necessary adjustments to the schedule. Owner's Designated Representative may, at any time and without notice to any surety Contractor may have, provide Contractor with a written field directive to make changes in, additions to or omissions from the authorized Work or the schedule, and Contractor shall promptly proceed with the performance of this Contract as so changed. Any field directive issued by Owner's Designated Representative shall only change the description of the Work or the schedule and shall not affect or change any other terms or conditions of this Contract. If Contractor becomes aware of a change in the Work or the schedule specified in this Contract that it feels is necessary, it shall request a written field directive for the proposed change. Any claim for equitable adjustment of the compensation as a result of the change, addition or omission must be submitted to Owner within ten (10) calendar days from the date the written field directive is issued.

Any claims submitted by Contractor because of a change by Owner must be itemized and supported with adequate documentation. Work performed outside the scope or schedule set forth in this Contract which is not requested by a written field directive shall not form the basis of a claim for additional compensation. Any increase or decrease in compensation paid for changes in the Work shall not be binding on Owner unless and until a Contract Amendment is executed by both parties.

It is understood and agreed by the parties that Contractor will examine all available records and will inform itself about conditions to be encountered, the character of equipment and facilities required to perform the Work, the labor conditions and all other relevant matters in connection with the Work to be performed prior to agreeing to a fixed price on this Contract. It is further understood and agreed that the price is based on Contractor's own knowledge and judgment of conditions, problems, volumes, and other factors and not upon any representations of Owner. Any information or estimates which are made available by Owner to Contractor shall have no express or implied guarantee of accuracy or usefulness. Contractor agrees that it will form its own opinion of the costs it will incur in undertaking the Work. Therefore, Contractor agrees that the fact the actual amount of Work performed or costs incurred differs from estimates made by either Contractor or Owner shall not be a basis for change in compensation.

Owner reserves the right to make changes to this Contract by letter for extending the expiration date, rate changes, administrative changes that do not affect the substantive obligation of the Contractor, and minor scope changes that do not impact Contractor cost. If Contractor does not reject the change in writing within 30 days from the date of the change, the change shall become effective, and both parties shall become bound by the Contract as changed.

SECTION 7. FINANCIAL AUDITS

Contractor shall maintain accurate and detailed records, in accordance with generally accepted accounting principles consistently applied, of all expenditures or costs relating to any Work performed under this Contract and of any performance statistics relevant to this Contract. If the Work is being performed other than on a fixed price basis and/or includes incentive provisions, Owner shall have the right to inspect, examine and make copies of any or all books, accounts, records and other writings of Contractor relating to the performance or cost of the Work. If the Work is being performed on a fixed-price basis only, Owner shall have the above-specified rights only upon termination or suspension of the Work. Such audit rights shall be extended to Owner or to any representative designated by Owner. Audits shall take place at times and locations mutually agreed upon by both parties, although Contractor must make the materials to be audited available within one (1) week of the request for them. Costs incurred in undertaking the audit will be borne by Owner but costs incurred by Contractor as a result of Owner's exercising its right to audit will be borne by Contractor.

The Contractor agrees that he shall keep and shall submit daily records of his operations as necessary for Owner's cost and inventory control procedures, including such things as Contractor and subcontractor receiving reports, man-hours worked subdivided as to number of men and craft employed on each phase of the Work, and breakdown of Contract prices between installation value and material value in accordance with Owner's classification of accounts; and other breakdown as Owner may require for his tax reports. These records shall be submitted to Owner's representative when and at a frequency as directed in writing.

SECTION 8. WARRANTY AND INSPECTION OF MATERIALS

Contractor warrants that all Work performed under this Contract shall be undertaken in a good and workmanlike manner and shall conform to the requirements specified. Contractor further warrants that the Work shall be of good quality, free from defects in design, material and workmanship, and shall be fit for its intended use. Any professional services provided by Contractor in connection with the Work shall be performed in accordance with generally accepted standards and practices then prevailing in the industry. Contractor warrants that unless otherwise specified all parts, material and equipment it supplies will be new. Work performed, and all parts, material and equipment furnished in connection with this Contract shall at all times, and at all locations, be subject to inspection by Owner or its representatives, regardless of where the Work is being performed.

The Work shall be subject to testing in accordance with accepted industry standards whenever Owner deems such testing to be necessary to ensure the quality of the Work, material or equipment. Any testing which is not part of the Contract but is undertaken by Owner shall be paid for by Owner unless the tests prove that the Work, material or equipment are not in accordance with the requirements of the Contract. In that event, the entire cost of the testing shall be paid by Contractor and Contractor shall immediately act to repair or replace the nonconforming Work, material or equipment. If Contractor completes any portion of the Work prior to any inspection or test which was timely requested by Owner's Designated Representative or required by the Contract, so as to render inspection or testing impossible or more difficult, the cost of uncovering and replacing the Work shall be borne by the Contractor.

If at any time Owner's Designated Representative determines that Contractor's methods or equipment are inadequate for ensuring the requisite quality of Work, Owner's Designated Representative may order Contractor to increase its adequacy and Contractor shall improve its methods or change its equipment or work force so as to give reasonable assurance of compliance with the order. Failure of Owner's Designated Representative to make this demand shall not relieve Contractor of its obligation to ensure the quality of the Work.

When any Work fails to conform with the requirements of this warranty, it shall be corrected and made satisfactory to Owner at no cost to Owner. Contractor shall commence correction of defective Work immediately upon notification of the defect, unless a different time is specified by Owner's Designated Representative. Contractor shall continuously and diligently pursue the repair or corrective Work until it is completed to the satisfaction of Owner. Failure on the part of Owner to refuse or reject Work or materials prior to acceptance of or payment for the Work shall not bar Owner at any subsequent time from requiring the Work to be corrected or from recovering damages arising out of any defective Work.

If Contractor fails to commence and pursue corrective action as hereinabove provided, or in the event of an emergency situation where correction of the defect by Contractor is not practicable, Owner may correct the defect itself or hire others to do so, and all costs incurred by Owner shall be paid by Contractor.

SECTION 9. RESPONSIBILITY FOR WORK

Contractor is responsible for and shall bear all risk of loss or damage to Work, and all materials, tools and equipment delivered to the Work location by Contractor or its suppliers, until completion by Contractor and final acceptance of Work by Owner, unless the loss or damage results solely from the negligence of Owner. Owner is not responsible for any loss or damage to the Work, or to materials, tools and equipment of Contractor resulting from a tortious act or omission of any other contractor.

Contractor shall be responsible, at no additional cost to Owner, for taking all precautions necessary to prevent damage or injury to the Work of Contractor, Owner or its contractors, and to the property of Contractor, Owner, other contractors, or any of their employees, and members of the general public. These measures shall include, but not be limited to laying dropcloths, constructing shields and guard fences, and any other precautionary measures Owner may direct.

When the Contractor's supervision is not present on any part of Owner's premises where it becomes necessary to give directions in an emergency, orders may be given by Owner's Designated Representative and shall be received and obeyed by Contractor's personnel. If requested to do so, Owner shall confirm such orders in writing.

The use of explosives in a manner which disturbs or endangers the stability, safety or quality of the Work or of Owner or third-party property will not be allowed.

SECTION 10. CLEANUP

Contractor shall be responsible for keeping the area where its employees and subcontractors are working clean at all times. If Contractor fails or refuses to maintain a clean Work area, Owner may perform or arrange to have performed a cleanup of the area. If Owner incurs any cost performing cleanup of Contractor's Work, that cost times a factor sufficient to cover Owner's then applicable administrative and general overhead costs shall be paid to Owner or may be deducted by Owner from any amount owed to Contractor.

Upon completion of identifiable segments of Work, Contractor is to remove all waste or debris from its Work area unless the waste or debris is subject to the conditions set forth with Subsection titled, "Environmental Provisions" of the Section titled, "Laws and Project Rules". Contractor is responsible for restoring its Work area and any areas affected by its Work to at least as good an order and condition as the area was in prior to Contractor commencing the Work unless the restoration would conflict with Subsection titled, "Environmental Provisions" of the Section titled, "Laws and Project Rules".

SECTION 11. TERMINATION AND SUSPENSION

A. Termination for Cause

The following actions by Contractor shall give Owner the right to terminate the Contract after five (5) calendar days' written notice to Contractor:

- (1) Contractor fails to carry forward and complete Work as rapidly as required, or if no deadlines are set, as rapidly as Owner determines is required or that the circumstances will permit.
- (2) Contractor fails to comply with applicable laws, regulations or ordinances.
- (3) Contractor becomes involved in a labor problem which in the opinion of Owner impedes or slows down the Work.
- (4) Contractor fails to commence correction of defective Work immediately after notification of defect or as otherwise specified by Owner and to continuously and diligently pursue correction of defect until the Work is completed to the full satisfaction of Owner.
- (5) Contractor in any way breaches the terms of this Contract.
- (6) Contractor makes a general assignment for the benefit of its creditors.
- (7) Contractor has a receiver appointed because of insolvency.
- (8) Contractor files bankruptcy or has a petition for involuntary bankruptcy filed against him.
- (9) Contractor fails to make prompt payments for materials or labor used on Contract Work.
- (10) Contractor fails to comply with Owner's safety standards.

It is agreed that if Owner exercises its right to terminate this Contract for any of the above reasons, the termination shall not prejudice any other right or remedy available to Owner.

Upon termination for cause of the Contract, Owner may take control of the Work; take possession of all materials at the Work location which were intended for incorporation into the Work; and shall be allowed to utilize any of Contractor's equipment or tools at the site. Owner may complete the Work itself or hire another contractor to complete it. Contractor shall receive no further payments until all Work is completed. Upon completion, Contractor will be paid as follows:

For Work to be performed on a fixed price basis, Contractor will be paid the unpaid balance remaining under the Contract less all costs incurred in finishing the Work, including compensation for overhead, for administrative and managerial services and for any legal expenses incurred by Owner to effect the takeover and complete the Work. If Owner's costs exceed the unpaid balance, Contractor shall pay the difference to Owner.

For Work which was to have been undertaken on other than a fixed price basis, Contractor shall be liable to Owner for any differential between the rates agreed upon by Owner and Contractor for the Work, and the new rates agreed upon by Owner and the replacement contractor or the cost to Owner for undertaking the Work itself, including compensation for overhead and administrative and managerial services, and for any legal expenses incurred by Owner. Contractor's liability for the differential shall apply until the completion of the authorized Work. In addition, if Owner incurs any other costs as a result of the Contract termination, including but not limited to costs for additional hours worked due to mobilizing the replacement personnel, necessity of hiring less efficient replacement personnel, or replacing or repairing any part of the Work performed by Contractor prior to termination, Contractor shall be liable for these costs. Any outstanding balance payable to Contractor for Work performed prior to termination shall be paid, less the amounts specified above. If Owner's costs exceed the unpaid balance, Contractor shall pay the difference to Owner.

Contractor will be allowed a credit at the agreed-upon prices for all materials purchased by Contractor and subsequently incorporated into the Work by a replacement contractor or Owner. If there are no agreed-upon prices in this Contract for materials, Contractor shall be credited for the materials at actual cost. Contractor shall also be allowed a credit for the fair market rental value for any of Contractor's equipment or tools used to complete the Work.

B. Termination for Convenience

Owner shall have the right to terminate this Contract in whole or in part at any time, including prior to commencement of any Work, for Owner's convenience. Upon receiving notice of termination, Contractor shall discontinue the Work on the date and to the extent specified in the notice and place no further orders for materials, equipment, services or facilities except as needed to continue any portion of the Work which was not terminated. Contractor shall also make every reasonable effort to cancel, upon terms satisfactory to Owner, all orders or subcontracts related to the terminated Work.

In paying Contractor for Work performed under this Contract when terminated for Owner's convenience, Owner will make payments to Contractor as follows:

- (1) If this Contract is terminated prior to Contractor's having commenced any Work or preparation for Work, no payment will be made to Contractor.
- (2) If this Contract is terminated after the Contractor has commenced mobilization or other off-site activities but prior to any performance of the authorized Work, Owner will pay Contractor the actual cost, including administrative and general overhead, of any preparation to perform the authorized Work that cannot be recovered by Contractor in future Work done for Owner or otherwise. This paragraph does not apply to engineering, design, fabrication or other off-site Contractor expenditures that are actually part of the Work rather than preparation to perform the Work.
- (3) If this Contract is terminated for Owner's convenience after commencement of the authorized Work, then except as provided in (4) below, Owner shall pay Contractor for Work performed prior to termination as follows:

Where Work is to be performed on a fixed-price basis, Contractor will be paid its actually incurred costs, including administrative and general overhead costs and demobilization costs, determined in accordance with generally accepted accounting principles consistently applied, plus an amount equal to ten percent (10%) of those costs to

account for profit. Notwithstanding the above, Owner will not pay an amount for costs actually incurred which unreasonably exceeds the percentage of total costs as compared to the percentage of total Work completed prior to termination. In no event will Owner pay Contractor an amount that exceeds the fixed price.

For Work, including demobilization, where payment is on a unit price basis, or a time-and-materials basis, Contractor will be compensated at the rates specified in the Contract. If profit is included in the authorized rates no additional payments will be made for anticipated profits; if profit is not included in the rates, the amount paid will be increased by ten percent (10%) to account for profit. Notwithstanding the above, Owner will not pay for time worked by Contractor's employees which as a percentage of total anticipated hours to be worked unreasonably exceeds the percentage of Work completed prior to termination.

- (4) If (1) at the time of termination Contractor has prepared or fabricated any goods or purchased or leased any materials or equipment intended for subsequent incorporation into the Work, and (2) these goods or materials cannot be incorporated into any other Work for Owner or otherwise, then Contractor will be paid for the actual cost of the goods or materials.
- (5) Contractor agrees that it has an affirmative duty to mitigate all damages to it upon termination of the Contract. In no event shall Owner be responsible to pay Contractor for its anticipated profits or any sales commissions.
- (6) Contractor shall maintain adequate documentation to support its claim for payment. Any part of Contractor's claim that is not supported by adequate documentation will not be paid by Owner. Payment of the amounts specified above shall be Contractor's sole and exclusive remedy for termination of Work for Owner's convenience.

C. Suspension

Owner may, for any reason, elect to temporarily suspend performance of any or all of the Work to be performed under this Contract for a period of time as specified by Owner's Designated Representative. Contractor shall be informed of Owner's desire to suspend the Work by either receipt of a written directive or a verbal directive followed by a written confirmation from Owner's Designated Representative within three (3) working days. Upon receipt of this directive, Contractor shall immediately cease all efforts to perform the Work or that part of the Work which is suspended. Demobilization of Contractor's personnel and equipment from Owner's Work site shall be in accordance with Owner's directive. Contractor shall resume performance in accordance with the written directive of Owner's Designated Representative. Except as hereinafter provided, the time for completion of the suspended Work will be extended by a Contract Amendment for a period of time not to exceed the period of suspension.

Within ten (10) calendar days from reinstatement of the Work, Contractor shall notify Owner in writing of any equitable adjustment it deems necessary to the price because of the suspension. These claims must be itemized and supported with adequate documentation. Increases in compensation resulting from suspension must be agreed upon by both parties in a Contract Amendment. Unless Contractor is required by Owner's written directive to maintain affected personnel and equipment on Owner's Work site, increases in compensation shall be limited to charges and costs directly related to mobilization of personnel and equipment.

If Owner suspends the Work for any of the reasons specified in Subsection A. of this Section, then no additional compensation will be paid by Owner, and the time for completion of the Work will not be extended.

SECTION 12. PATENTS AND COPYRIGHTS

Contractor agrees that in performing this Contract it will not use or provide to Owner any process, program, document, data, design, device or material which infringes on any patent, copyright, trade secrets, or any other proprietary right of any third party. Contractor agrees to indemnify and defend Owner, at Contractor's expense, against any suit or proceeding brought against Owner for any infringement arising out of Contractor's Work under this Contract. Owner will promptly notify Contractor in writing of any such suit or proceeding and will assist Contractor in defending the action by providing any necessary information at Contractor's expense. If use of the Work is enjoined, then Contractor shall obtain a license for Owner to continue using the Work, or modify the Work so that it no longer infringes, without degrading its function or performance.

SECTION 13. STATUS OF CONTRACTOR

It is the intent of the parties to create between them the relationship of owner and independent contractor. It is agreed that nothing shall operate to change or alter such relationship, except a further agreement in writing between them.

SECTION 14. SUBLETTING OR ASSIGNING CONTRACT

Contractor shall not sublet any portion of the Work or assign the Contract without first submitting the proposed subcontract or assignment to Owner's Designated Representative and receiving written consent from Owner's Designated Representative to subcontract or assign. Any assignment without the consent of Owner shall be void. A request to sublet or assign must contain the name and location of individuals or firms to whom Work will be sublet or to whom the Contract is to be assigned, information on the qualifications and experience of those individuals or firms to perform the Work, and an estimate of the cost of the Work to be performed by the subcontractor or assignee. The general terms and conditions of this Contract and any Contract Amendment regarding the Work to be performed must be incorporated into and attached to any subcontract or assignment. Consent to subletting or assignment will not relieve Contractor of responsibility for the performance of Work in accordance with the terms and conditions of this Contract and any Amendments executed by both parties.

SECTION 15. REPORTS

Whenever requested by Owner, Contractor shall furnish within a reasonable period of time, in the manner directed, and at no additional cost to Owner, written reports about the Work. Owner may require these reports to show the progress or status of the Work or any other matter pertaining to it.

SECTION 16. TOOLS, MATERIALS AND EQUIPMENT

Contractor shall equip all employees with all tools and equipment necessary to perform the Work unless otherwise expressly provided in this Contract. All tools and equipment belonging to Contractor or its employees shall be clearly marked as to their owner. Contractor shall provide storage facilities for all tools and equipment at or near the job site. Storage facilities on the site shall be located in a place approved by Owner's Designated Representative.

All materials, tools and equipment furnished by Owner shall remain its property. Contractor agrees not to use Owner-supplied materials, tools or equipment for any purpose other than Work for which these items were supplied, unless written permission is given in advance by Owner's Designated Representative. Contractor shall reimburse Owner at Owner's replacement cost plus a factor to cover current administrative and general overhead costs for all materials, tools or equipment placed in Contractor's possession which are not included in the completed Work or returned to Owner in kind. When requested in writing, Contractor agrees to purchase special equipment or tools or furnish them on a rental basis. The purchase price or rental cost of such equipment and/or tools and the basis of payment will be as agreed upon, if not previously established in the Contract Rate Schedule. Any tools specifically purchased for authorized Work and paid for by Owner are the property of Owner and shall be turned over to Owner upon completion of the Work.

SECTION 17. NOT USED

SECTION 18. PLANS, DRAWINGS, SPECIFICATIONS, AND DOCUMENTATION

Contractor shall not begin any part of the Work which requires Contractor to perform in accordance with plans, drawings, specifications, or documentation until such documents have been furnished by Owner's Designated Representative. Contractor shall keep one copy of the documents at the jobsite and shall produce the copy upon request of Owner's Designated Representative.

Upon completion of the authorized Work, Contractor shall return all listed drawings, specifications, and documentation to Owner, after having indicated on them all changes to reflect the "as-built" condition of the Work. Upon request, Contractor shall turn over to Owner all documents or materials, in whatever form, in possession of Contractor that are related to the authorized Work.

Any discrepancy, contradiction or ambiguity within the provisions of this Contract and the plans, drawing or specifications shall be immediately referred to Owner's Designated Representative by the Contractor. Owner's Designated Representative will determine which shall control, and the decision shall be binding upon both parties. In all cases figures will take precedence over scale measurements on drawings, but where obvious discrepancies exist Contractor shall consult with Owner's Designated Representative and abide by his/her decisions.

SECTION 19. CONTRACTOR PERSONNEL MATTERS

Personnel provided by Contractor under this Contract shall at all times remain the sole responsibility of said Contractor for purposes of personal and professional liability.

Contractor is solely responsible for all aspects of the labor relations of its personnel, including but not limited to, wages, benefits, discipline, hiring, firing, promotions, pay raises, overtime and job and shift assignments. Owner shall have no responsibility for or power over these areas. Such personnel shall be and remain the employees of Contractor at all times.

All personnel to be provided by Contractor under this Contract shall be employees of Contractor and shall not be independent contractors. Contractors shall withhold from each employee's pay sufficient funds for federal, state, and local income taxes, funds required by the Federal Insurance Contributions Act, and as may otherwise be required by applicable law. Contractor further agrees to defend, indemnify, and hold Owner harmless from any claims, fines, and penalties based on any allegations that such withholdings were not made, or that such withholdings were inadequate.

Contractor shall comply with the Fair Labor Standards Act, and shall pay overtime to its employees as required by all applicable federal, state and local laws, rules, regulations, and ordinances. In the event that Contractor fails to comply with this requirement, Contractor shall be required to indemnify, defend and hold Owner harmless from all claims, actions, fines, penalties, and liabilities resulting from any such failure.

In selecting employees to undertake any Work, Contractor shall select only those persons who are qualified by the necessary education, training and experience to provide a high quality performance of the Work. If Owner determines, in its sole discretion, that any personnel supplied by Contractor are unsuitable for the Work, Owner shall so advise Contractor and Contractor shall remove that employee from the premises and assign other individuals to perform the Work. If Owner determines, in its sole discretion, that the presence on Owner's premises of any employee of Contractor is not consistent with the best interest of Owner, Owner may direct Contractor to remove that employee from performing Work under this Contract. Contractor shall assign another employee to work in place of the unacceptable employee. Replacement of employees under either of the above circumstances shall be at no cost to Owner. Contractor shall absorb any travel costs or travel time to the site for the replacement employee and from the site for the replaced employee. Contractor shall give Owner advance notice prior to removing Contractor's supervisory or professional personnel from the job.

Contractor recognizes the importance of the safety of all workers at the Work site and agrees that accident prevention shall be an integral part of Contractor's operation. Contractor shall provide and maintain adequate first-aid facilities and shall cooperate with all other contractors at the site and with Owner in their respective safety programs. Contractor shall furnish all reasonable information concerning the safety of its operations as may be required by Owner's Designated Representative, including records of accidents to employees, radiation exposure hours of employees, and time lost due to accidents. In the event that Owner discovers a condition or Work practice that it considers to be unsafe, Owner may suspend the Work in whole or in part without cost until the unsafe condition or Work practice is made safe.

Contractor's employees' vehicles and Contractor's vehicles and equipment shall be parked in areas expressly approved by Owner's Designated Representative, when parking on Owner owned or controller property.

Contractor's employees shall be properly dressed to Owner's standards at all times while on Owner's Work site. Employees not properly dressed will be refused entry to or will be subject to discharge from the Work site.

When sanitary facilities are furnished by Owner, Contractor's employees shall use only those designated and approved by Owner's Designated Representative.

Use of Non-English Speaking Workers

Prior to the beginning of any task under this contract, the Contractor shall notify Owner if it anticipates using any non-English speaking personnel at Owner's facilities. If such personnel are used, the Contractor shall provide an on-site bilingual person to translate the site orientation and safety information training. In addition, any time the Contractor's non-English speaking workers are present at a Owner facility, the Contractor shall provide at least one bilingual person in each applicable work crew capable of both communicating in English and instructing the non-English speaking workers. The Contractor shall specifically identify these bilingual interpreters to Owner Designated Representative. For this purpose, a work crew is defined as any worker or group of workers in any specific location on Owner property, regardless of how the Contractor organizes his work force.

Owner may assist in facilitating communication of important safety information by offering bilingual versions of safety brochures or video presentations. If these are available, it in no way relieves the Contractor of providing the interpreter services stated above.

Code of Ethics

Contractor, Contractor's employees, and employees of Contractor's subcontractor(s) performing Work under this Contract shall comply with Owner's Code of Ethics. Owner will make the Code of Ethics available to Contractor upon request in order for Contractor to provide a copy to any employee assigned to Owner sites for period(s) of three (3) months or more. Each such employee shall sign an Acknowledgement Form in substantially the form set forth as an attachment to this Contract. Contractor shall retain the signed forms for Owner audit purposes for the term of the Contract plus three (3) years. The audit right provided herein shall not be restricted by any other audit provisions of the Contract.

Contractor, Contractor's employees, and employees of Contractor's subcontractor(s) performing Work under this Contract are obligated to comply with all applicable laws and regulations and with all applicable health, safety and security rules, programs and procedures. The Owner Code of Ethics identifies principles concerning lawful and ethical conduct that must be followed by Contractor's employees in the performance of Work. The Code of Ethics also provides for an AlertLine reporting mechanism that enables the reporting of suspected violations of law and of the Code of Ethics as a part of Owner's program to prevent and detect violations of law and criminal or unethical conduct.

SECTION 20. INSURANCE

Contractor shall provide and maintain in full force and effect at no additional cost to Owner for the duration of the Contract the following minimum amounts of insurance:

- (a) Commercial general liability insurance or comprehensive general liability insurance with a minimum limit of \$2,000,000 per occurrence for bodily injury and damage to property including contractual liability, premises/operations, products/completed operations, independent contractors, broad form property damage, and personal injury coverage and a minimum aggregate amount of \$4,000,000 or commercial/comprehensive general liability insurance plus additional excess umbrella liability insurance to meet these limits.
- (b) Comprehensive automobile liability insurance with a minimum combined single limit of \$1,000,000 per accident for bodily injury and damage to property, or covering bodily injuries or death in a sum not less than \$500,000 per person and \$1,000,000 per accident and covering damages to property in a sum of at least \$250,000 per accident or comprehensive automobile liability insurance plus additional excess umbrella liability insurance to meet these limits. This insurance shall apply to any auto, whether owned or non-owned.
- (c) Workers' compensation insurance as specified by state law in each state where work is to be performed; when workers' compensation is required, Contractor shall also provide employer's liability insurance in the minimum amount of \$500,000 each accident and \$500,000 per employee for bodily injury by disease with a disease policy aggregate of \$1,000,000, or employer's liability insurance plus additional excess umbrella liability insurance to meet these limits.

All such coverages shall be primary. Contractor agrees that it shall add Owner, its officers, employees, agents, and shareholders and all of Owner's parent, subsidiary, and affiliate companies to Contractor's liability insurance policies as additional insureds. Contractor shall require its insurance carrier or agent to certify that this requirement has been satisfied on all Insurance Certificates issued under this Contract.

Before any Work is initiated and before any invoices are paid for Work performed under this Contract, Contractor shall provide written proof of compliance with the above insurance requirements by delivering to:

Lyle P. Capps
Progress Energy Service Company, LLC
P. O. Box 1551 (CPB 2C3)
Raleigh, NC 27602

a copy of certificate of insurance completed by his insurance carrier or agent certifying that minimum insurance coverages as required above are in effect and that the coverage will not be canceled or changed until thirty (30) days after written notice is given Owner. Contractor shall maintain, update, and renew the Certificate for the duration of the Contract. No payment will be made to Contractor prior to receipt by Owner of an acceptable Certificate of Insurance. In the event an acceptable Certificate of Insurance becomes outdated, Owner may elect to withhold payment of invoices, suspend Work or take other appropriate action until an acceptable and properly dated Certificate is received by Owner.

Contractor shall furnish to Owner a surety company performance bond and labor and material payment bond in the form provided as Attachment M with such surety as shall be satisfactory to Owner. Owner will reimburse the Contractor for the cost of such bonds in addition to the stated Contract prices.

SECTION 21. INDEMNITY

To the maximum extent permitted by applicable law, Contractor shall indemnify and defend Owner (including its parent, subsidiary and affiliate companies), its officers, employees, agents, and any other party with an ownership interest in the premises, from and against all liability, loss, costs, claims, damages, expenses, judgments, and awards, whether or not covered by insurance, arising or claimed to have arisen:

- (a) wholly or in part from acts or omissions of, or as a result of Work done or omitted from being done, or as a result of negligence by Contractor, subcontractors or assignees and their agents or employees, or Owner (including its parent, subsidiary and affiliate companies) which resulted in:
 - (1) injury to (including mental or emotional) or death of any person, including employees of Owner (including its parent, subsidiary and affiliate companies), or
 - (2) damage to or destruction of any property, real or personal, including without limitation property of Owner (including its parent, subsidiary and affiliate companies) and its other contractors, Owner's (including its parent, subsidiary and affiliate companies') employees, and fellow employees;
- (b) out of injuries sustained and/or occupational diseases contracted by Contractor's, subcontractor's, or assignee's employees, if any, of such a nature and arising under such circumstances as to create liability by Owner (or its parent, subsidiary or affiliate companies) or Contractor under the Workers' Compensation Act, and all amendments thereto, of the state having jurisdiction, including all claims and causes of action of any character against Owner (and its parent, subsidiary and affiliate companies) by any employee of Contractor, its subcontractors or assignees, or the employer of such employees, or any person or concern claiming by, under or through them resulting from or in any manner growing out of such injuries or occupational diseases; and

- (c) from demands, actions or disputes asserted by any subcontractors, employees or suppliers of Contractor.

Indemnification shall include all costs including attorney's fees reasonably incurred in pursuing indemnity claims under or enforcement of this Contract.

SECTION 22. SECURITY

Contractor and Contractor's employees who perform Work at any Owner property shall comply with the security practices and procedures prescribed by Owner to cover that Property. Contractor shall advise its employees of these practices and procedures and secure their consent in a form satisfactory to Owner to abide by the procedures. Owner will make a copy of these practices and procedures available to Contractor upon request.

SECTION 23. FITNESS-FOR-DUTY POLICY

Contractor acknowledges its awareness of Owner's contract personnel Fitness-For-Duty Program (FFDP) Drug and Alcohol Abuse Policy, which is as follows:

The use, possession, or sale of narcotics, hallucinogens, depressants, stimulants, marijuana, or other controlled substances on Owner Property or while in pursuit of Owner business is prohibited. (This does not apply to medication prescribed by a licensed physician and taken in accordance with such prescription.) Unauthorized consumption of alcohol on Owner Property is also prohibited. The use of the above substances or alcohol on or away from Owner Property which adversely affects the employee's job performance, or may reflect unfavorably on public or governmental confidence in the manner in which Owner carries out its responsibilities, as determined by Owner, is also prohibited.

The term "Owner Property" includes any property or facility owned, leased, or under control of Carolina Power & Light Company, wherever located, including land, buildings, structures, installations, boats, planes, helicopters, and other vehicles.

SECTION 24. LAWS AND PROJECT RULES

A. General

Contractor and its subcontractors, if any, shall observe and abide by all applicable laws, federal, state and local, and the rules and regulations of any lawful regulatory body acting thereunder in connection with the Work. Without limiting the foregoing, Contractor agrees to comply with applicable provisions of the Americans with Disabilities Act, Fair Labor Standards Act of 1938, Executive Order No. 11246, the Rehabilitation Act of 1973, the Vietnam Veterans Readjustment Act of 1974, as amended, and their respective implementing regulations, which are made a part hereof as if set out herein. Contractor and its subcontractors, if any, shall also comply with all applicable Owner health, safety and security rules, programs or procedures.

Contractor shall indemnify and hold Owner, (including its parent, subsidiary and affiliate companies), and its plant co-owners harmless with respect to any claims, expenses (including attorney's fees), liability or damages arising out of Contractor's failure to comply with any applicable laws, rules, or regulations, or any Owner rules, programs, or procedures.

Work performed and materials and equipment provided by Contractor shall conform to and comply with all the applicable federal, state, and municipal laws, rules, and regulations concerning occupational health and safety, including, but not limited to, the Occupational Safety and Health act of 1970 and the regulations and standards issued thereunder (hereinafter "OSHA requirements"). Contractor warrants that any work performed in a location partially or entirely under Contractor's control shall be performed in accordance with "OSHA Requirements". Contractor further warrants that all materials and equipment furnished by Contractor shall conform to and comply all applicable provisions of "OSHA requirements" and the regulations and standards issued thereunder, specifically those (designed to accept a lockout device, machine guards in place, etc.) Contractor shall require these warranties of adherence to "OSHA requirements" from each subcontractor and supplier it employs. Contractor shall indemnify and hold harmless Owner (including its parent, subsidiary and affiliate companies) from all damages suffered by Owner (including its parent, subsidiary and affiliate companies) (including damages to third parties) as a result if the failure of Contractor or any of its subcontractors or suppliers to comply with "OSHA requirements" and for the failure of any of the materials or equipment furnished to so comply.

B. Taxes and Contributions

Contractor assumes exclusive liability for all contributions, taxes or payments required to be made under the applicable federal and state Unemployment Compensation Act, Social Security Acts and all amendments, and by all other current or future acts, federal or state, requiring payment by the Contractor on account of the person hired, employed or paid by Contractor for Work performed under this Contract. When Work is to be performed in South Carolina, Contractor shall submit to Owner, prior to commencement of Work, a properly completed State of South Carolina, Department of Revenue, Nonresident Taxpayer Registration Affidavit Income Tax Withholding, Form I-312, which will be included as an attachment.

C. Drawings and Specifications

It is the intent of Owner to have all drawings and specifications for the Work comply with all applicable statutes, regulations, and ordinances. If Contractor discovers any discrepancy or conflict between the drawings and specifications and applicable legal requirements, Contractor shall immediately report the discrepancy in writing to Owner's Designated Representative.

D. General Contractor's License Requirements

The Contractor shall comply with the applicable requirements of the governing state to regulate the practice of general, mechanical, and electrical contracting.

E. Environmental Provisions

1. Compliance with Environmental Laws

- a. In performing its obligations and other activities pursuant to this Agreement, Contractor shall comply with all Environmental Laws.
- b. If while performing Work Contractor encounters ACM and/or lead, Contractor immediately shall notify the Designated Representative. Contractor shall not Manage such ACM and/or lead without Owner's prior approval. Contractors shall perform any such work in accordance with the acceptable industry standards and practices.
- c. Contractor may obtain from the Designated Representative any records and other information which the Designated Representative deems relevant to Contractor's compliance with Environmental Laws. Owner does not warrant the accuracy or completeness of such records and information, and Contractor shall determine

independently how to conform its activities to the requirements of Environmental Laws.

2. Regulated Substances and Hazardous Chemicals

- a. For purposes only of this Subsection 2., Owner Property means property Owner owns, leases and/or operates.
- b. Prior to bringing any Regulated Substance onto Owner Property Contractor shall deliver to the Designated Representative: (1) notice of the Regulated Substance's identity and intended use, (2) notice of the length of time the Regulated Substance will be used on Owner Property and (3) a description of any wastes that will be generated as a result of using the Regulated Substance.
- c. Prior to bringing onto Owner Property any Regulated Substance, Contractor shall deliver to Owner a description of the potential for Owner employee exposure to the hazardous chemical, the hazardous chemical's brand name (including generic name and chemical abstract number [CAS#]), container volume or weight, number of containers, container pressure and temperature, physical state, storage location, estimated annual usage, manufacturer and material safety data sheet.
- d. Contractor shall deliver to Owner for Management any hazardous waste which Contractor generates on Owner Property. Contractor shall not remove such hazardous waste from Owner Property.
- e. Upon completion of the Work, Contractor shall remove all of Contractor's unused chemicals from Owner Property.

3. Releases

- a. Contractor shall not Release any Regulated Substance on Owner Property, or on any roadways leading to or from Owner Property.
- b. In the event Contractor Releases any material or substance on Owner Property, Contractor immediately shall notify the Designated Representative and remediate the Release pursuant to all applicable Environmental Laws and to Owner's direction and reasonable satisfaction. Owner's costs in supervising, directing, inspecting and/or assisting Contractor to respond to the Release shall be subject to Indemnification under Subsection 4. hereof.
- c. If following a Release Contractor fails to comply with the terms of Subsection 3.b., Owner may in its discretion remediate the Release and otherwise perform Contractor's obligations. Owner's costs in performing Contractor's remedial activities shall be subject to Indemnification under Subsection (4) hereof.

4. Environmental Indemnity

- a. Contractor shall Indemnify Owner, (including its parent, subsidiary and affiliate companies), from any Claim or loss in property value arising in any way from Contractor's Management of any Regulated Substance or Contractor's failure to comply with the terms of this Agreement.

5. Environmental Audits

Owner shall have the right to conduct an on-site environmental review of any of the Contractor's or its subcontractor's or supplier's facilities at any time to verify compliance with federal, state and local statutes, regulations and ordinances. Contractor shall ensure that Owner shall have the right to conduct on-site environmental audits of any subcontractor's facilities to verify compliance with all federal, state and local statutes.

6. Definitions

The definitions below only are applicable to this Section.

- a. **ACM or Asbestos-Containing Material** means (a) friable asbestos material, (b) Category I nonfriable ACM (as defined in 40 C.F.R. §61 (Subpart M)) that has become friable, (c) Category I nonfriable ACM that will be or has been subjected to sanding, grinding, cutting or abrading or (d) Category II nonfriable ACM (as defined in Subpart M) that has a high probability of becoming or has become crumbled, pulverized or reduced to powder by the forces expected to act on the material in the course of demolition or renovation operations.
- b. **Claim** means any (1) administrative, regulatory or judicial action or cause of action, suit, liability, judgment, penalty, damages, directive, order, claim relating in any way to any Environmental Law, the Management of any Regulated Substance, the presence of any Regulated Substance in the environment or any alleged injury or threat of injury to health, safety, property or the environment and (2) cost or expense (including, without limitation, any attorneys', experts' and consultants fees' and expenses) which is or may be necessary, in Owner's sole discretion, to comply with any Environmental Law, to respond to and defend against any action listed in clause (1), to protect the health or safety of any person or to permit or facilitate any lawful use of real property.
- c. **Owner Property** means any property, facility or equipment owned, leased or under the control of Owner or Contractor wherever located, including land, buildings, structures, installation, boats, planes, helicopters and other vehicles.
- d. **Environmental Law** means any federal, state or local law, statute, ordinance, rule, guideline, judicial or administrative order or other public authority now in effect or hereafter enacted relating to (1) the regulation or protection of human health, safety, occupational safety and health, the environment or natural resources or (2) any Regulated Substance.
- e. **Indemnify, with respect to any Claim or cost**, means (1) to indemnify, save and hold harmless, reimburse and make whole on an after-tax basis, the designated indemnitee and its affiliates and their respective officers, directors, employees, partners and agents from any Claim or cost imposed on or incurred by the indemnitee, or asserted by any third party against the indemnitee; (2) to defend any suit or other action brought against the indemnitee on account of any Claim and (3) to pay any judgment against, and satisfy any equitable or other requirement imposed on, the indemnitee resulting from any such suit or action, along with all costs and expenses relative to any such Claim, including, without limitation, attorney's, consultant's and expert witness fees and public relations costs.
- f. **Manage or Management, with respect to any substance or material**, means the manufacture, processing, distribution, use, possession, generation, transportation,

labeling, identification, handling, removal, treatment, storage, disposal, Release or threatened Release thereof.

- g. **Regulated Substance** means any chemical, material, substance or waste the exposure to, access to or Management of which is now or hereafter prohibited, limited or regulated by any law or governmental unit. Regulated Substances include without limitation ACM and Lead.
- h. **Release(s)**, with respect to any substance or material, means any spilling, leaking, pumping, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of such substance into the environment, or any other act or event the occurrence of which would require containment, remediation, notification or similar response under any law.

SECTION 25. SEVERABILITY

If any term or provision of this Contract is held illegal or unenforceable by a court with jurisdiction over the Contract, all other terms in this Contract will remain in full force, the illegal or unenforceable provision shall be deemed struck. In the event that the stricken provision materially affects the rights, obligations or duties of either party, Owner and Contractor shall substitute a provision by mutual agreement that preserves the original intent of the parties as closely as possible under applicable law.

SECTION 26. GOVERNING LAW

This Contract shall be governed by the laws of the State of North Carolina, except that the North Carolina conflict-of-law provisions shall not be invoked in order to apply the laws of any other state or jurisdiction.

SECTION 27. CONFIDENTIALITY; USE OF INFORMATION

The terms of this Contract and all Amendments to it are to remain confidential and shall not be provided in any form to any other party except upon order of a regulatory body or a court of competent jurisdiction. Contractor shall not make any public statements or publish any information related to the Work performed or to be performed under this Contract without the prior written consent of Owner.

Materials which are reviewed by Contractor in the course of this Contract may contain trade secrets which are the property of Owner or which have been loaned, licensed, purchased or leased for Owner's use. Contractor agrees not to reveal any trade secret material to any person in any form and further agrees not to use the material for itself for any purpose not connected with this Contract.

Contractor agrees that if access is granted to Owner's computer network or a segment thereof, that this access is solely for the business purpose(s) described in Section 1 of this Contract. Contractor agrees that access for any other purpose or the use of Owner's computer network to access other networks, is strictly forbidden and that Contractor is responsible and liable for all damages or unauthorized access resulting from these actions. This activity will result in the discontinuation of any and all network connections, and Contractor understands that it may be subject to civil and/or criminal prosecution. Contractor further agrees that any information that it obtains from Owner's computer network is subject to all of the terms and conditions of this Contract.

Any program, document, data or information supplied by Contractor to Owner may be used, copied or disclosed by Owner as necessary in the normal course of its business, notwithstanding any copyright of Contractor in such materials and notwithstanding any notices or legends appearing thereon.

SECTION 28. PUBLIC COMMUNICATION

Contractor agrees to cooperate with Owner in maintaining good community relations. Owner will issue all public statements, press releases, and similar publicity concerning the Work, its progress, completion, and characteristics. Contractor shall not make or assist anyone to make any such statements, releases, photographs, or publicity without prior written approval of Owner.

SECTION 29. NONWAIVER

Owner's failure to insist on performance of any of the terms and conditions herein or to exercise any right or privilege or Owner's waiver of any breach hereunder shall not thereafter waive any of Owner's rights or privileges under this Contract or at law. Any waiver of any specific breach shall be effective only if given expressly by Owner in writing.

SECTION 30. MERGER

This Contract embodies the entire agreement between Owner and Contractor. The parties shall not be bound by or liable for any statement, writing, representation, promise, inducement or understanding not set forth above. No changes, modifications or amendments of any terms and conditions of this Contract are valid or binding unless agreed to by the parties in writing and signed by their authorized agents.

Each party to this agreement and its counsel have participated in the creation of this agreement. The normal rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this agreement or of any amendments or exhibits to this agreement.

- next paragraph begins on the following page -

The parties execute this Contract by their signature or the signature of their authorized agents.

OSMOSE, INC.

PROGRESS ENERGY SERVICE COMPANY, LLC
(Not in its individual capacity but solely as agent for

CAROLINA POWER & LIGHT COMPANY
FLORIDA POWER CORPORATION

BY: Donnie Lander

NAME (printed): Donnie Lander

TITLE: Regional Vice President

DATE: 2/5/01

BY: John S. Giffman
John S. Giffman

Executive Director - Corporate Services Department

DATE: 1/31/01

Indicate your Social Security Number (SS#) OR your Employer Identification Number (EIN). This number shall correspond with the Contractor name indicated above and shall be the same TIN under which you report income. COMPLETE ONLY ONE.

EIN <u>160579500</u>	SS# _____
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The Internal Revenue Service (IRS) requires us to obtain certain information from you to meet IRS Form 1099 reporting and filing requirements.

If you do not provide your correct Taxpayer Identification Number (TIN), your payments may be subject to 20% backup withholding.

Under penalties of perjury, I certify that the TIN shown above is correct for the Contractor named.

Donnie Lander/Regional Vice President

(Contractor to fill in name and title)

is appointed as the person to whom all official correspondence to Contractor concerning this Contract should be directed.



Provisions to Carolina Power & Light
And
Florida Power Corporation Contract
February 1, 2001

Section 8 – Warranty and Inspection of Materials

Insert after the second word of the first paragraph:

“Contractor warrants for a period of one (1) year after completion of the Work that
...”

ADD to the end of the section:

“CONTRACTOR MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE.”

Section 9 – Responsibility for Work

ADD to the end of the first paragraph:

“Notwithstanding the foregoing, Owner acknowledges and agrees that for purposes of this provision, each wooden utility pole shall be deemed to be a separate unit of Work and, upon Contractor’s providing notice to Owner that Contractor has completed Work on any wooden utility pole(s), Contractor shall no longer bear all risks related to said pole(s) or be deemed to be in control of said pole(s).”

Section 20 - Insurance

ADD to the end of the section:

“Contractor’s insurance shall not provide coverage for the acts or omissions of the Owner unless specifically agreed to by Contractor elsewhere in this Contract.”

Section 21 – Indemnity

In subparagraph (a), DELETE the following language:

“...or Owner (including its parent, subsidiary and affiliate companies)...

ADD the following as a new paragraph at the end of Section:

“Notwithstanding anything to the contrary in this Contract, in no event shall Contractor be responsible, as between Owner and Contractor, for the sole negligence of Owner, its parent, subsidiaries or affiliates, or their respective agents, representatives and employees. In the event of the joint and concurrent negligence of Contractor and Owner, each party shall be responsible for the percentage of negligence attributed to it by agreement between the parties or in a court of competent jurisdiction.”

“IN NO EVENT SHALL CONTRACTOR BE RESPONSIBLE FOR INCIDENTAL, CONSEQUENTIAL, INDIRECT OR SPECIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOST PROFITS). ALL ACTIONS AGAINST CONTRACTOR BY OWNER IN WARRANTY,



Section 24.E.4.a. – Laws and Project Rules/ Environmental Provisions

ADD to this Environmental Indemnity paragraph:

"Notwithstanding the foregoing, Owner acknowledges and agrees that application of wood preservatives to Owner's wood utility poles in accordance with U.S. Environmental Protection Agency registered label requirements and this Contract shall not constitute a Release, and Contractor shall have no obligation to indemnify, hold harmless or defend Owner from and against any claim for personal injury, including death, damage to property, including environmental contamination and/or environmental impairment resulting from such proper application of wood preservatives."

**Pole Inspection, Treatment, & Reinforcement
Work Scope Document
Florida Power Corporation (FPC)
Carolina Power & Light Company (CP&L)**

Overview

Provide supervision, labor, material, tools, reports, chemicals, and equipment necessary to inspect, treat, and reinforce poles on the FPC and CP&L distribution systems. The contract will be for a three-year term, beginning February 1, 2001 thru December 31, 2003.

CP&L intends to annually inspect and treat approximately 38,000 poles, and reinforce approximately 1700 poles. These numbers will vary by year. This is estimated to be as follows for 2001:

- 14,858 inspections and 683 reinforcements in the Northern Region.
- 6882 inspections and 316 reinforcements in the Southern Region.
- 9989 inspections and 410 reinforcements in the Eastern Region.
- 6615 inspections and 318 reinforcements in the Western Region.

FPC intends to annually inspect and treat approximately 47,500 poles, and reinforce approximately 950 poles. These numbers will vary by year. This is estimated to be as follows for 2001:

- 26,045 inspections and 493 reinforcements in the Coastal Region.
- 21,903 inspections and 469 reinforcements in the Central Region.

Contractor will be compensated utilizing the appropriate rate schedule in Attachments E & G.

Working Hours

- Normal working hours for the contractor at FPC and CP&L will be between 7AM – 6 PM, Monday through Friday. The hours may be adjusted upon agreement between the contractor and the appropriate FPC or CP&L Designated Representative.
- Contractor will observe the same holidays as FPC or CP&L unless approved by the appropriate Designated Representative.

Contractor Requirements and Responsibilities

- Contractor is responsible for acquiring all utility locates.
- At least one full time contractor supervisor to be on FPC and/or CP&L property for every four to six crews; never less than one supervisor in general area of work being performed.
- Contractor will provide cell phones for all supervisors and crews/foremen.
- Protect and minimize disturbance of existing ground cover and landscaping.
- Follow all appropriate FPC or CP&L Distribution Specifications as listed in Attachments B & C, and/or appropriate Distribution Specification Manual.
- The Contractor is required to adhere to all NESC, OSHA, DOT, EPA, Federal, State, Local, and appropriate FPC or CP&L rules and regulations.
- Contractor must meet attached uniform guidelines; Attachment D.

- Contractor is responsible for resolving any customer issues, inquiries, complaints, etc.
- Contractor will provide a single point of contact responsible for handling all claims in a Region. Contact must be made with the customer within 24 hours of being notified of the claim. FPC or CP&L designated claims representative must be notified in writing monthly of the disposition of all claims. Specifically, the contractor will be expected to advise the FPC or CP&L claims representative the date of customer contact; date claim resolved and final disposition. If contractor were to deny a claim, the contractor must provide specifics as to basis for denial to the FPC or CP&L claims representative.
- Any damage caused to existing utilities will be the sole responsibility of the Contractor. When work is completed, the job site will be left in a condition acceptable to the designated representative or his designee. Work performed within public streets and road rights-of-way will have pavement and parkway restored to city and/or county and/or state specifications.
- Resolution of conflicts with other utilities is the responsibility of the Contractor.
- The Contractor is responsible for notifying property owners and the public of work being performed. This will include the use of door hangers, badges, signs, or any other means deemed appropriate by FPC or CP&L.
- The Contractor shall, at its expense, obtain all Federal, State, City, and local authority permits and licenses. These must be kept on the job site.
- All traffic control will be the responsibility of the Contractor.
- The Contractor will immediately notify FPC or CP&L designated representative in the event that the Contractor's actions cause an interruption or outage to FPC or CP&L equipment and/or its Customers. Contractor will be assessed a \$500 penalty for any outage that is the result of contractor negligence or inappropriate work practices.
- If hazardous conditions are encountered that contractor can not make safe, contractor must immediately notify FPC or CP&L and standby until appropriate FPC or CP&L personnel arrive.
- Conflicts between the contractor and FPC or CP&L will be resolved via written statements with the appropriate designated representative.
- Contractor will furnish all necessary materials (chemicals, steel truss, etc.)
- Labels and Material Safety Data Sheets must be supplied for all preservatives used.
- Contractor will insure safe storage, handling, and disposal of all chemicals.
- Environmental hazards shall be reported to a CP&L or FPC Supervisor immediately.
- Contractor shall notify FPC or CP&L immediately upon any (1) unintended or excessive application of pesticide, or the application of pesticide in a manner inconsistent with its label, (2) third party inquiries to Contractor regarding the Work or any environmental impacts of same or (3) any incidents which reasonably could lead to third party inquiries described above.
- At least one member of every crew must carry FPC contractor identification (provided by FPC).
- All contractor vehicles must be identified as FPC contractors (magnetic signs provided by FPC).

Work Schedule

It is imperative that all work is completed by December 20, of each year, time is of the

essence. Contractor must supply a schedule outlining the number of crews proposed to complete work along with start dates and completion dates. Monthly updates must be provided reflecting progress and revisions to schedule. FPC or CP&L have the right and authority to deviate contractor's schedule. There will be no additional charges to meet the schedule deviation.

Safety

- Contractor will develop, maintain, and administer its own safety program. Contractor must submit a safety plan, detailing how they will accomplish the day to day work activities and insure the safety of their employees and the public. Contractor must review the FPC or CP&L Safety Manual(s) and document any rules that they do not plan to follow as an exception in their safety plan. The contractor's safety plan must convey their plan to insure the safety of their employees specific to any safety rules they list as an exception in the FPC or CP&L Safety Manuals.
- Contractor performance regarding safety is critical to the success of this contract. Contractor will be expected to perform in accordance with the range of acceptable performance in the Meets or Exceeds categories on a monthly and annual basis for the appropriate NAICS code (FPC) and the appropriate SIC code (CP&L). The Contractor is to provide the total number of injuries, the total lost workday cases, and total man-hours worked per month on the FPC or CP&L system only, while performing duties outlined in this contract using Attachment F. This information will to be reported on a monthly basis to Mark Danna (FPC) and Donald Gower (CP&L). The information is to be provided by the tenth of the month.

Donald Gower Carolina Power & Light Co. PO Box 1551 Raleigh, NC 27602 Fax to (919) 546-4699	Kevin Sullivan Florida Power Corporation 2600 Lake Lucien Drive, Suite 400, MT3B Maitland, FL 32751-7234 Fax to (407) 475-2210
---------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------
- The safety rating of the contractors will be determined by the number of incidents per 100 employees, the number of lost work day cases per 100 employees, and whether or not the contractor has a fatality. The incident rate (IR) and lost work day case rate (LWDCR) will be calculated based on the accidents that occur on the Company's system as compared to the number of man-hours worked by the contractor on the Company's system. This goal will be tracked from information provided to the company by the contractor on a monthly basis.

Example Goal: *Contractor shall achieve a total incident rate and a lost work day case rate on the company's system that is lower than the most recent three years national average for SIC Code 1623.*

Example	Annual *National Avg.	<u>Does Not Meet</u> Goal	Meets Goal	Exceeds Goal
Lost Work Days Cases	3.23	>2.91	2.58 to 2.91	<2.26
Total Incident Rate	8.07	>7.26	6.46 to 7.26	<5.649

- If the Contractor does not perform in the Meets or Exceeds categories, FPC or CP&L reserves the right to review these areas and require appropriate corrective action by Contractor. If the situation is not corrected in a reasonable time, FPC or CP&L reserves the right to take further action up to and including termination of the contract.

What FPC and CP&L Will Provide

- Furnish the Contractor with files and/or maps showing locations of poles which are subject for inspection, treatment, and reinforcing.
- A single point-of-contact in each Operation Center.

General Process

- FPC or CP&L inspectors will periodically inspect work while in progress and will inspect jobs, which have been submitted as completed. Contractor will be required to correct work, to stop work, or to adjust work practices as directed by FPC or CP&L personnel if unsafe work practices are observed.
- FPC and CP&L considers work not in accordance with the specifications or work not in accordance with local, State, or Federal regulations, or unskilled or careless work to be sufficient reason to order the contractor to stop work. Work will not be allowed to resume until deficiencies are corrected to the satisfaction of FPC or CP&L. Further, FPC and CP&L reserve the right to require the contractor to replace any worker before work is allowed to continue. If not satisfied, this will be considered just cause for termination of the contract.
- Quality control inspections shall be performed for each time period of not less than one week's work but not to exceed two weeks' previous work. The quality control will be conducted with the contractor's supervisor and FPC's or CP&L's representative when available. The quality control inspection shall consist of the complete re-inspection of those poles selected by the FPC or CP&L representative to compare the results shown on the pole report inspection, treatment, or reinforcement sheets with those existing in the field. The re-inspection shall include, but not be limited to, the re-excavation, re-treatment, re-wrapping, and reinstallation of the reinforcement truss of those poles that were inspected. Contractor shall bear the cost for correcting all improper work. At least 3 poles will be selected for each quality control; these will be selected at random by the owner's representative. Owner shall be issued a copy of the quality control field report.
- Discrepancies and Corrective Action: Any work that is not constructed to specification or any billing discrepancies will be brought to the attention of the contractor. Corrective action, satisfactory to FPC or CP&L, must be taken by the contractor to remedy the situation before the next quality control check. The corrective action may include, but not be limited to re-working each pole back to the previous quality control checkpoint at no cost to FPC or CP&L.
- FPC and CP&L designated contact will have final approval on all aspects of the work and payment.

Invoicing and Payments

Normal payments will be issued as followed:

- Contractor shall furnish FPC and CP&L with weekly reports (specifics outlined in the specifications) reflecting all poles that were inspected, treated, and reinforced. Billing will be itemized and turned in weekly, with these reports.
- FPC or CP&L designated contact will review the invoices and submit the invoice for processing and payment.
- Any discrepancy must be corrected prior to submittal of the next invoice.

IN-SERVICE WOOD POLE INSPECTION
AND REMEDIAL TREATMENT SPECIFICATIONS

For

Carolina Power & Light & Florida Power Corporation

Date: 01/08/2001

1.0 GENERAL

- 1.1 Scope
- 1.2 Contractor Requirements
- 1.3 Personnel Qualifications
- 1.4 Definitions for Inspection & Treatment

**2.0 GENERAL PRECAUTIONS &
REQUIREMENTS FOR PRESERVATIVE
APPLICATIONS**

- 2.1 General Restrictions & Requirements
- 2.2 Pesticide Licensing & Reporting Requirements
- 2.3 Spill Prevention
- 2.4 Proper Equipment
- 2.5 Pesticide Training

3.0 INSPECTION

- 3.1 Preparation
- 3.2 Above Ground Inspection
- 3.3 Excavation
- 3.4 Extended Visual (At Owners Request)
- 3.5 Sounding
- 3.6 Boring
- 3.7 Chipping

4.0 EVALUATION

- 4.1 Determine Minimum Circumference
- 4.2 Evaluation for Reinforcement

5.0 TREATMENT

- 5.1 General
- 5.2 External Groundline Treatment
- 5.3 Fumigant Treatment
- 5.4 Internal Treatment

6.0 RESTORATION OF WORK SITE

- 6.1 Backfilling
- 6.2 Clean-up

7.0 POLE MARKING & RECORDS

- 7.1 Tagging
- 7.2 Data Collection
- 7.3 Pole Inspection Detail Reports
- 7.4 Weekly Inspection & Treatment Summary
- 7.5 Poles Needing Maintenance Work Summary
- 7.6 Poles Rejected Summary
- 7.7 Year-to-Date Inspection & Treatment Summary
- 7.8 Computer Media

Appendix A Pole Inspection Tags

Appendix B OH Facilities Inspection

1.0 GENERAL

1.1 Scope

This specification is intended as a basis for the inspection and treatment of wood poles. All poles less than 20 years old should be visually inspected and reported. All creosote poles 20 years and older are to be inspected both above and below the groundline area. All CCA poles 20 years old and older are to be inspected but not excavated unless pole shows obvious damage or decay.

1.2 Contractor Requirements

The contractor is required to have a minimum of 5 years in the in-service pole inspection and treatment business. The contractor must have documented policies conforming to EPA, OSHA, and DOT regulations. These policies must include Safety Manual, Pesticide Training Manual and test, standards for safe storage of preservatives on vehicles, operating policies for contractor's personnel to handle preservatives and procedures for disposing of empty containers used for pole treatment and OSHA regulations involving personal protective equipment.

1.3 Personnel Qualifications

- 1.3.1 All pole inspection and treatment must be performed by professional in-service groundline pole inspection and treatment specialists. They must be trained and experienced (minimum 6 months) in the inspection and treatment of in-service wood poles. The owner reserves the right to ask for evidence of previous experience and training in the form of letters of reference and test results. Personnel are subject to approval by the owner before awarding the contract or at any time thereafter. Failure to maintain an adequately trained inspector will result in payment being withheld by the owner in the area being inspected.
- 1.3.2 Supervision of pole inspection and treating shall be performed using full-time supervisors with at least 2 years of field experience in in-service pole inspection and treatment.
- 1.3.3 Personnel not specifically qualified to inspect and treat in-service poles as outlined above shall not be transferred to work as pole inspectors from other contractual work.

1.4 Definitions for Inspection and Treatment

Pole inspection and treatment categories are defined as follows:

- 1.4.1 **Reported Pole (Visual Inspection):** A reported pole is a less than 20 years old about which the owner desires information or any pole that is judged to be unserviceable prior to excavation.
- 1.4.2 **Sounding and Boring:** Poles shall be sounded with a hammer from either groundline or above groundline as applicable, to as high as an inspector can reach, in a circumfluous manner, in order to locate exterior decay or interior pockets of decay.

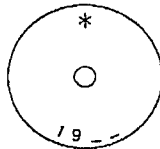
Inspector shall bore pole at least once to detect interior decay. If it is present, pole shall be bored a sufficient number of times to determine location and extent of decay. Bored holes shall be plugged with tight-fitting CCA treated wood dowels.

When performing a sound and bore on a 20 year old or older CCA pole, a single bore is called for to determine if any wood zones are softened by decay. If no decay is evident, fill the bore hole with a CCA treated plug. Do not perform any excavation. If internal damage is evident, more boreholes may be necessary, but should be kept to a minimum. Never shave a CCA pole, it serves no purpose.

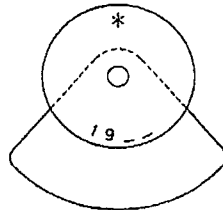
- 1.4.3 **Externally Treated Pole:** A groundline treated pole is any pole designated by the owner

APPENDIX A

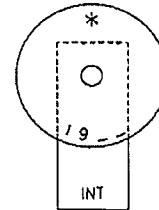
1. GROUND LINE TREATED.



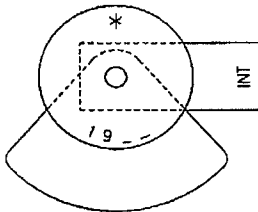
2. GROUND LINE TREATED AND FUMIGANT TREATED.



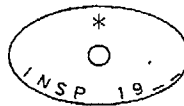
3. GROUND LINE TREATED AND INTERNAL TREATED.



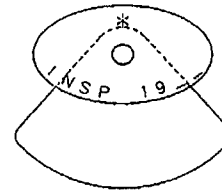
4. GROUND LINE TREATED, WOODFUMED AND INTERNAL TREATED OR WOODFUMED AND INTERNAL TREATED ONLY.



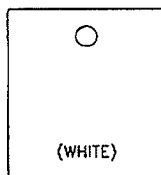
5. VISUAL BUT NOT GROUND LINE TREATED (VISUAL OR SOUND AND BORE).



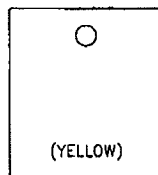
6. FUMIGANT TREATED ONLY.



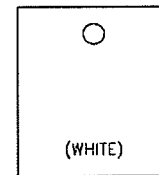
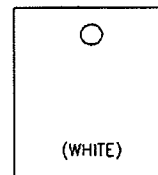
7. REJECT-POLE DOES NOT MEET CP&L STRENGTH REQUIREMENTS AND SHOULD BE REPLACED.



8. REJECT-POLE DOES NOT MEET CP&L STRENGTH REQUIREMENTS, BUT CAN BE GROUND LINE TREATED AND REINFORCED.



9. REJECT-POLE DOES NOT MEET CP&L STRENGTH REQUIREMENTS, SHALL NOT BE CLIMBED, AND SHOULD BE REPLACED AS SOON AS POSSIBLE.



NOTES:

1. ALL OF THE INSPECTION TAGS SHOWN ABOVE ARE ALUMINUM.
2. INSPECTION TAGS 7, 8 AND 9 SHOWN ABOVE ARE PAINTED THE COLOR INDICATED ON THE TAG.
3. INSPECTION TAGS 7, 8 AND 9 (REJECT TAGS) ARE ATTACHED AND CENTERED ON EXISTING POLES 2" BELOW THE DIS NUMBER. IF FOUND, REPORT TO LOCAL OPERATIONS CENTER.

POLE INSPECTION TAGS

APPENDIX B

CP&L and FPC

GUIDELINES FOR THE DISTRIBUTION FACILITIES INSPECTION PLAN

January 01, 2001

SCOPE

These guidelines cover the requirements for extended overhead inspection, evaluation, and identification of distribution facilities for Carolina Power & Light Company and Florida Power Corporation.

PURPOSE

The purpose of the Distribution Facilities Inspection Plan is to identify and correct distribution system defects caused by aging, storms, improper installation, poor material quality, contamination, and damage caused by the general public. This is accomplished by inspecting all overhead distribution system lines and facilities including poles, conductors, cutouts and arresters, anchors and guys, insulators, transformers, regulators, reclosers, air-break switches, and capacitor banks. The inspections will be performed by Contractors (already on-site) performing pole inspections and pole restorations. These overhead equipment inspections are also known as extended visual overhead inspections. This work is optional and not to be performed unless specifically approved by the company.

INSPECTION PROCEDURES

Inspect lines, equipment, and facilities according to these guidelines.

POLES

- Visually inspect for leaning, cracks, decayed, split top, bird holes, lightning damage, missing or damaged pole numbers and other damage.
- Inspect/record pole preservative type (ie, creosote, penta, or CCA) as well as the size and class.
- Remove vines and unauthorized materials (attachments) which can be reached from the ground.
- Check to be sure overhead ground wires above the neutral are mounted on standoff insulators.
- Check braces, wood cross-arms, and metal brackets for any: cracked, rotted, bowed, bent, burned, or other damage.

CONDUCTORS

- Visually check conductors in both directions for proper sag, roll, and ground clearance. Check clearances phase-to-phase and from foreign conductors, structures, and trees.
- Check conductor for broken, burned, or damaged strands.
- Check for floating conductors.
- Check for visual indications of overheated connections.

CUTOUTS & ARRESTERS

- Check for broken porcelain and other damage.
- Check for blown arrester or unattached lead on arrester.
- Check for proper installation and clearance.
- Check for gapped arresters.
- Check for pole labeling of fuse size and type (CP&L only). If pole is not labeled, mark for follow up.
- Check for blown or damaged cutout.

ANCHORS & GUYS

- Inspect anchor eye and rod for creepage, rust and corrosion.
- Check guy for proper tension, rust and damage.
- Remove vines which can be reached from the ground.
- Check for proper clearance and grounding.
- Check guy guard for proper installation. Request addition of guy guard when subjected to animals or the general public.
- Check for guy insulators installed per specifications.

INSULATORS

- Visually check for chips, cracks, contamination, or other damage.
- Visually check for broken, loose, or improperly installed tie wires.

TRANSFORMERS/REGULATORS/RECLOSERS

- Check for broken bushings, arresters, and other damage.
- Check for leaking or any apparent overheating conditions.
- Check for proper clearance and grounding.

AIR BREAK SWITCHES

- Check for broken insulators and other damage.
- Check for proper grounding of switch frame and handle.
- Check locking mechanism for security purposes.
- Check to ensure that lightning arresters are installed on each side of normally open air break switches.

CAPACITOR BANKS

- Visually check bank for swollen or bulging units, oil Leaks, broken porcelain, blown primary fuses or other damage.

IDLE FACILITIES

- Indicate that facilities are no longer serving load.

WOOD POLE REINFORCEMENT

For

**Carolina Power & Light and Florida Power Corporation
January 8, 2001**

1.0	SCOPE
2.0	GENERAL
3.0	PERSONNEL QUALIFICATIONS OF CONTRACTOR
4.0	INITIAL INSPECTIONS PROCEDURE
5.0	DETERMINING REINFORCING CANDIDATES
6.0	PRESERVATIVE TREATMENT OF RESTORATION CANDIDATE
7.0	REINFORCING MATERIALS
8.0	ACCESSIBILITY
9.0	DETERMINING SIZE OF C-TRUSS, REINFORCING TRUSS SELECTION CHART
10.0	TEMPORARY REINFORCING OF POLES
11.0	INSTALLATION OF STEEL TRUSS
FIGURE 1	TRUSS ORIENTATION ON A POLE
FIGURE 2	C-TRUSS AND BANDING INSTALLATION
12.0	TAGGING
13.0	PAINTING
14.0	PROTECTIVE CAP
15.0	EXCEPTIONS
16.0	STORAGE ON COMPANY PROPERTY
17.0	CONFORMANCE TO EPA, OSHA, AND DOT STANDARDS
18.0	TEST RESULTS
APPENDIX A	POLE INSPECTION TAGS

1.0 SCOPE

- 1.1 This specification explains the evaluation, preservative treatment, and reinforcing of poles and how Carolina Power & Light and Florida Power Corporation (hereinafter called the Company) expects it to be accomplished.
- 1.2 The Company shall inform the Contractor of any modifications or changes to specifications to meet any special conditions.
- 1.3 The Contractor is responsible for any damages which he causes while working for the Company. The Contractor is not responsible for failure to reinforce poles made inaccessible by conditions beyond his control or poles marked to be reinforced and, upon further inspection, it is determined not to be reinforceable.

2.0 GENERAL

- 2.1 Pole reinforcing is a method by which a standing pole that has been weakened due to decay, insects, or mechanical damage can be braced with a steel C-Truss. This enables the pole to remain in its present location. Weakened poles that have been classified as reinforceable must first be treated to help arrest decay and/or insects. (Contractor must comply with all specifications listed in the In-service Wood Pole Inspection and Remedial Treatment Specifications.)

2.2 PERSONNEL QUALIFICATIONS OF CONTRACTOR

- 3.1 All pole restoration must be performed by professional in-service restoration specialists. The Truss Foreman must be trained and experienced (minimum one year) in the wood pole restoration with steel trusses of in-service wood poles. The owner reserves the right to ask for evidence of previous experience and training in the form of letters of reference and test results. Personnel are subject to approval by the owner before awarding the contract or at any time thereafter. Failure to maintain an adequately trained inspector will result in payment being withheld by the owner in the area being restored.
- 3.2 Supervision of pole inspection and treating shall be performed using full-time supervisors with at least 2 years of field experience in in-service pole inspection and treatment.
- 3.3 Personnel not specifically qualified to restore poles as outlined above shall not be transferred to work as pole restores from other contractual work.

4.0 INITIAL INSPECTION PROCEDURE

A visual inspection shall be made by the Contractor of all poles to be reinforced, before any work is done. Poles with serious top defects or without sufficient wood at 26 inches above ground (truss band location) will be immediately rejected and no further work

performed on the pole. If the pole is not a candidate for reinforcing and/or if the appearance of any attachment seems improper, this information must be supplied to the company's designated representative and no work is to be done until such conditions have been corrected.

5.0 DETERMINING REINFORCING CANDIDATES

(Note: The following procedure has worked effectively for typical distribution poles. Transmission and very large poles should be evaluated to determine if any modifications to average shell thickness are necessary.)

After initial inspection has revealed the pole to be a reject, the following shall be performed:

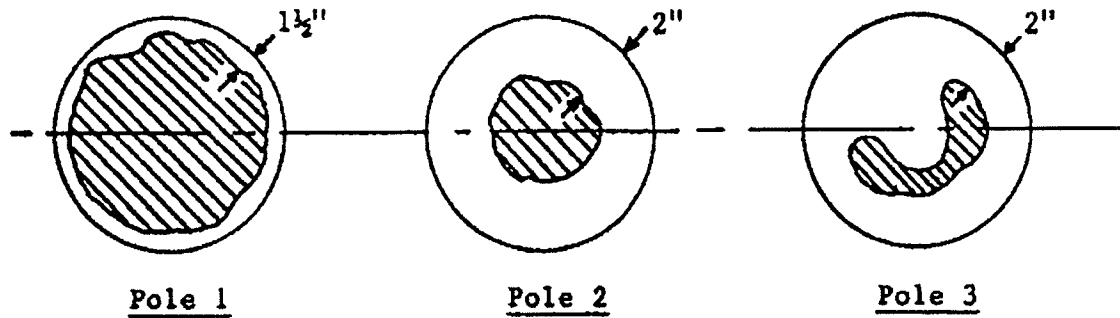
- 5.0.1 Sound the pole thoroughly above groundline again. Concentrate at the zone 15" to 5 feet above groundline.
- 5.0.2 Drill at 4 ½ feet above G/L against the line of lead. If this boring indicates less than a 4" shell thickness, a second boring is made opposite (180° from) the first boring whenever possible. Other borings should be taken as necessary. If the average shell thickness is 4" or more, the pole can be reinforced. Go to step 7.0.3. If the average shell is less than 4", the pole should be checked at 5 ½ feet for 4" of average shell. If pole fails to meet these requirements, pole will be replaced.
- 5.0.3 Drill at 15" above G/L against the line of lead. If this boring indicates less than a 2" shell thickness, a second boring is made opposite (180° from) the first boring whenever possible. Other borings should be taken as necessary. If the average shell thickness at 15" is less than 2" go to step 7.0.4. If the average shell is 2" or greater, reinforce the pole with banding as shown in figure 2.
- 5.0.4 Poles with less than 2" average shell at 15" can be reinforced if there is a 2" average shell at 26" and the criteria in step 7.0.2 are met. When the shell requirements are raised from 15" to 26" above groundline, a longer truss shall be installed (refer to figure 2). For suspension angles and terminal/angle dead end poles, drill at 26" above G/L on the face of the pole perpendicular to the bisect of the angle of the conductors (direction of fall). If this boring indicates less than a 2" average shell thickness, a second boring is made opposite (180 degrees from) the first boring whenever possible. Other borings should be taken as necessary. If the average shell thickness is 2" or greater, reinforce the pole.

5.1 Decay Specifications - General Guideline

- 5.1.1 A pole can be reinforced if it has a 2" or more average shell at 15" (or 26" when applicable) above groundline and 4" of average shell at 4 ½ feet (or 5 ½ feet when applicable). **It must also be determined that the internal decay can be effectively treated.**

5.2 Decay Situations

5.2.1 Heart Rot and Large Enclosed Pockets Poles with heart rot and large enclosed pockets can be reinforced if there is a 2" or greater average shell at 15" (or 26" when applicable) above groundline and 4" of average shell at 4 1/2 feet (or 5 1/2 feet when applicable).



Pole 1: Heart rot with less than 2" average shell, cannot be reinforced

Pole 2: Heart rot with 2" or more average shell, can be reinforced

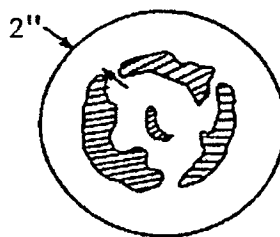
Pole 3: Large enclosed pocket with 2" or more average shell can be reinforced.

5.2.2 Internal Sapwood Decay

Poles with internal sapwood decay should be recommended for reinforcing only when internal treatment can penetrate and properly saturate the decayed areas.

Guidelines:

1. A pole dispersed with internal sapwood decay can be reinforced if it has a 2" or greater average shell at 15" (or 26" when applicable) above groundline and 4" of average shell at 4 1/2 feet (or 5 1/2 feet when applicable).



6.0 PRESERVATIVE TREATMENT OF RESTORATION CANDIDATE

- 6.1 Groundline Treatment - recommended if not accomplished during the inspection process. Pole determined to be reinforceable shall be fully treated with all groundline treatments determined necessary by inspection. Refer to the In-Service Pole Inspection and Remedial Treatment Specifications for details on Groundline treatment.
- 6.2 Internal Treatment - All rejected poles to be reinforced must be internally treated. Refer to the In-Service Pole Inspection and Remedial Treatment Specifications for details on Internal treatment.

7.0 REINFORCING MATERIALS

7.1 Steel Trusses

- 7.1.1 Minimum yield strength is 60,000 PSI for the 6, 7, 8 and 9 and 80,000 PSI for the 980, 1080, 1180, 1280, 1380, 1480, and 1580.
- 7.1.2 Galvanized per ASTM Spec A-123.
- 7.1.3 Date of manufacture and size of truss must be permanently stamped into exterior surface approximately 12" from the top of the truss.
- 7.1.4 Truss designations include 6, 7, 8, 9, 980, 1080, 1180, 1280, 1380, 1480, and 1580.
- 7.1.5 Shall be heavy-duty galvanized "C" truss, flat steel blanks formed with five bends.
- 7.1.6 Maximum weight per truss not to exceed 300 lb.

7.2 Banding

- 7.2.1 Banding straps to be 2" x .055" minimum.
- 7.2.2 Minimum load strength of 10,000 lb. for each single wrap
- 7.2.3 Hot dip galvanized coating must be 2 oz. per square foot.
- 7.2.4 Minimum tensile strength 82,000 PSI.
- 7.2.5 Two seals used for each band, each seal to be crimped (not notched) 2 times for a joint efficiency of 95%. Seals are hot dip galvanized at 2 oz. per square foot.

8.0 ACCESSIBILITY

ATTACHMENT C

The pressurized treating and reinforcing equipment must be capable of operating a minimum of 250 ft. from the reinforcing truck.

9.0 DETERMINING SIZE OF C-TRUSS

- 9.1 The contractor shall provide a truss selection chart detailing the appropriate truss(s) to be installed on each pole species, length and class. *The pole's remaining wood strength shall be of sufficient size to provide adequate strength required. Steel trusses must be of sufficient size to provide adequate strength to restore the pole to "at replacement" value as specified in the National Electric Safety Code (NESC).*
- 9.2 Trusses must be supplied according to the ultimate theoretical strength based on the continuous cross section of the truss. The minimum yield strength of the steel must be used in this calculation.
- 9.3 Steel trusses must be of sufficient size to provide adequate strength for grade B construction as defined by National Electrical Safety Code (NESC) requirements.

Reinforcing Truss Selection Chart

(Assuming zero wood strength grade B construction)

POLE HEIGHT	POLE CLASS			
	2	3	4	5
	TRUSS SIZE			
35 ft.	980X10	9X10	9X10	8X10
40 ft.	1080X11	980X10	9X10	9X10
45 ft.	1080X11	9X10 OR 980X10	9X10 OR 9X11	9X10 OR 9X11
50 ft.	1180X11	1080X11	980X10	9X10 OR 9X11
55 ft.	1180X11	1080X11	980X10	
60 ft.	1280X11	1180X11	1080X11	
65 ft.	1280X11	1180X11	1080X11	

NOTE: "HD" or "80" SUFFIX FOR TRUSS SIZE INDICATES TRUSS IS HEAVY DUTY. HEAVY DUTY TRUSSES ARE REINFORCED WITH A STIFFENER PLATE.

FOR POLES HIGHER THEN 65', CONTACT DISTRIBUTION STANDARDS FOR REQUIRED TRUSS SIZES AND ARRANGMENTS.

1. THE FOLLOWING TYPES OF POLES ARE NOT ECONOMICAL TO REINFORCE:
 - SERVICE POLES
 - 35' SINGLE-PHASE TANGENT POLES WITH NO PRIMARY EQUIPMENT (E.G., TRANSFORMERS, RECLOSERS).
2. DO NOT REINFORCE RAILROAD AND LIMITED ACCESS HIGHWAY CROSSING POLES DUE TO THE POSSIBILITY OF REDUCED STRENGTH AT THE POLE TOP.

- 9.4 Each size truss is limited to a minimum pole circumference for proper reinforcement. A truss cannot be used below its size limitation in accordance with the following:

Truss Size	6	7	8	9	10	11	12	13	14	15	16
Min Pole Circum. at G/L	21"	23-1/2"	27-1/2"	31"	35"	37"	40"	43"	45"	48"	51"

10.0 TEMPORARY REINFORCING OF POLES

At the discretion of the Company representative, rejected poles may be temporarily reinforced prior to replacement. It is not necessary that a temporarily reinforced pole be externally treated, but it should be internally treated with Hollow Heart solution or Cop-R-Nap®.

Trusses specified in Table should also be used for temporary reinforcing of poles.

11.0 INSTALLATION OF STEEL TRUSS

- 11.1 The trusses are to be positioned on the pole as shown in Figure 1.

~~11.1.1 Care should be taken when positioning trusses to insure that installation of the trusses will not damage any part of the grounding system or other underground facilities.~~

- 11.2 Trusses are driven to a depth which develops adequate anchoring below the decay zone. During installation the truss must be held tightly against the pole to insure a good working unit. On poles where the lower bands can be located 15" above groundline, the truss will extend 5 feet above groundline unless high decay requires the truss to reach at least 6 feet above groundline. If the lower banding is located at 26", the truss must also have adequate length to extend at least 6 feet above ground.

- 11.3 A minimum of 4 bands are used to secure the truss to the pole above ground (see figure 4).

11.3.1 The C-Truss bands (as described in section 9.2) for a pole with a 6, 7, or 8 or 9 inch truss are wrapped once around the pole and pulled tight with a pneumatic tensioner rated at 2,000 lb. force, 100 PSI air pressure. The 980, 1080 and 1180 single trusses require 6 single bands or 4 double bands described in 12.3.2. Figure 2 shows a complete listing of banding requirements along with truss heights and depths.

11.3.2 Double C-Truss bands are first nailed to the pole. Each band must be double wrapped around the pole through the seal and then pulled tight with a hand tensioner or pneumatic tensioner.

11.3.3 Each C-Truss band will be fastened with two seals. Larger seals are

ATTACHMENT C

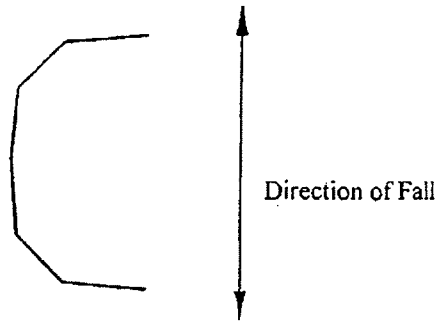
used on double wrapped bands. Each seal is crimped twice with a pneumatic operating on 90 PSI air supply giving 95% average joint efficiency. The seals must remain flat against the pole, not becoming "C-shaped".

- 11.3.4 Where pole requires two 8" or 9" trusses, each band must be doubled through the seal.

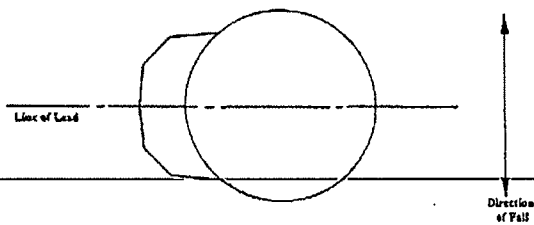
TRUSS ORIENTATION ON A POLE

Figure 1

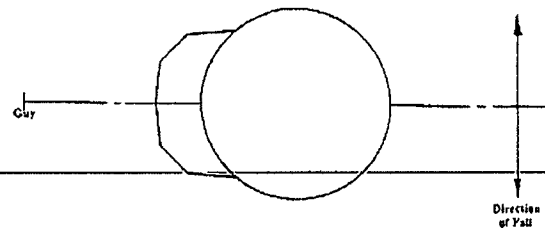
IN GENERAL: The direction of fall should be supported by the sideways bending strength of the Truss.



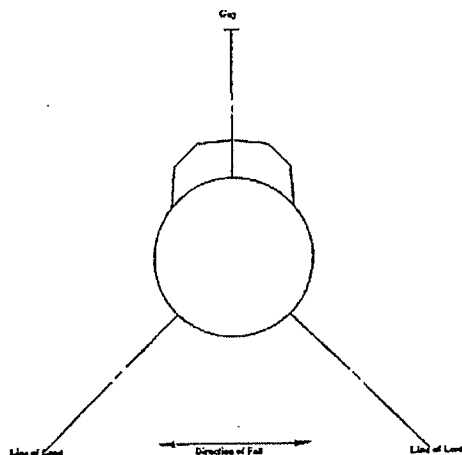
TANGENT POLE



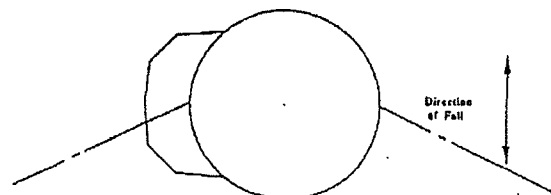
DEAD-END POLE



CORNER POLE



ANGLE POLE



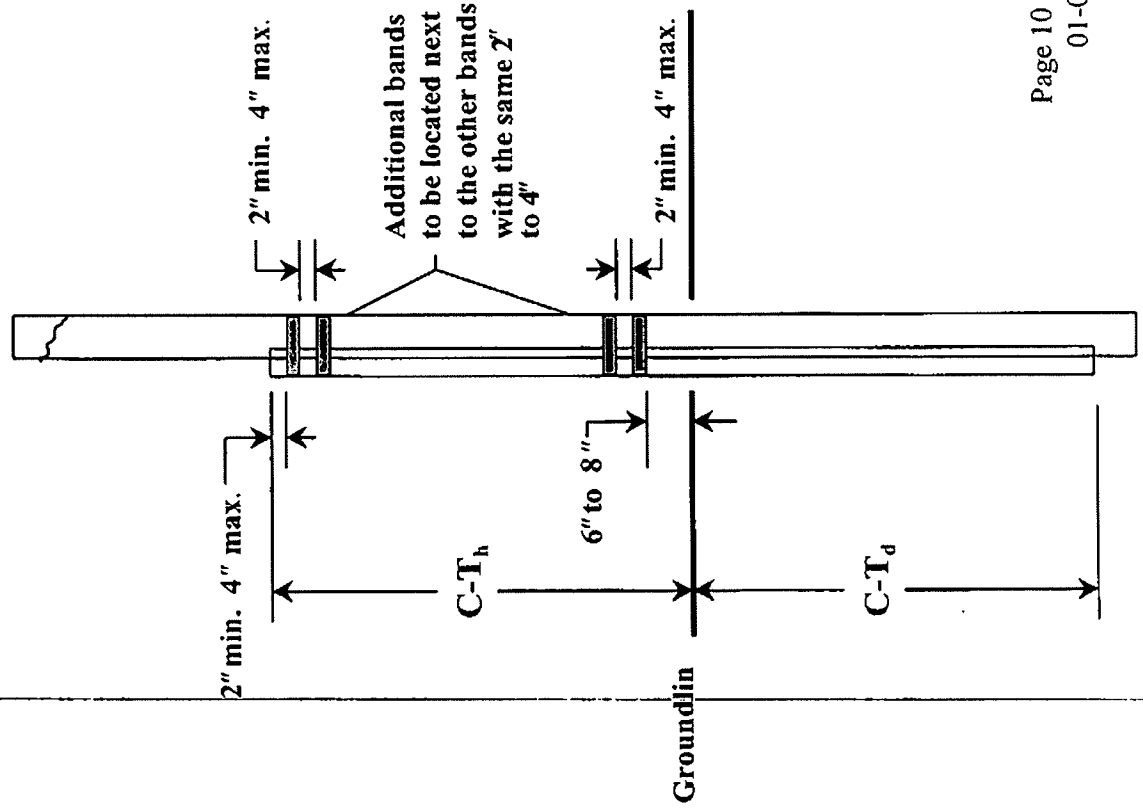
Note:

- 1) The second truss of a double trussed pole is placed on the opposite side of the first truss.
- 2) If possible, trusses on roadside poles should be placed on the side of the pole away from traffic.
- 3) For unguyed poles with wires traveling in perpendicular directions (Junction pole), the truss should be placed in the line of lead with the heaviest wire load or the primary (top) wires.

C-Truss and Banding Installation

Figure 2

C-Truss Size	C-Truss Height C-T _h (ft)	C-Truss Depth C-T _d (ft)	Bands Required
6 x 10	4.5	5.5	4 Singles
7 x 10	4.5	5.5	4 Singles
8 x 10	4.5	5.5	4 Singles
9 x 10	4.5	5.5	4 Singles
980 x 10	4.5	5.5	6 Sgl or 4 Dbl
1080 x 11	5.0	6.0	6 Sgl or 4 Dbl
1180 x 11	5.0	6.0	6 Sgl or 4 Dbl
1280 x 11	5.0	6.0	4 Doubles
1380 x 11	5.0	6.0	4 Doubles
1480 x 11	5.0	6.0	6 Doubles
1580 x 12	5.5	6.5	6 Doubles
1680 x 12	5.5	6.5	6 Doubles
Double C-Truss			
2-9 x 10	4.5	5.5	4 Doubles
2-980 x 10	4.5	5.5	6 Doubles
2-1080 x 11	5.0	6.0	6 Doubles
2-1180 x 11	5.0	6.0	6 Doubles
2-1280 x 11	5.0	6.0	8 Doubles
2-1380 x 11	5.0	6.0	8 Doubles
2-1480 x 11	5.0	6.0	10 Doubles
2-1580 x 12	5.5	6.5	10 Doubles
2-1680 x 12	5.5	6.5	10 Doubles



Note - If a longer C-Truss is used than is shown in the Table above, drive the C-Truss to;

- 1) the required Depth listed above or,
- 2) the midpoint of the C-Truss or,
- 3) the Height listed above.

12.0 TAGGING

All poles shall be tagged with a company-approved tag indicating contractor's name and year reinforced (see appendix A).

13.0 PAINTING

All trusses, caps and bands shall be painted. The paint should be a brown, protective, galvanized, rust-resistant, long lasting paint (except on gray poles).

14.0 PROTECTIVE CAP

All trusses shall have a protective cap installed on them.

15.0 EXCEPTIONS

Exceptions to this specification will be considered but are subject to written approval by the Company.

16.0 STORAGE ON COMPANY PROPERTY

The Company will allow storage of the contractor's equipment and material on the Company's property.

17.0 CONFORMANCE TO EPA, OSHA AND DOT STANDARDS

17.1 Documentation of contractor's policies for conforming to EPA, OSHA, and DOT regulation must be included with bid proposal. Include at least the following:

17.1.1 All operating policies for crew members to handle preservatives and disposing of empty containers used during reinforcing and pole treatment.

17.1.2 Standards for truck - mounted equipment to provide safe storage and pumping of internal treatment.

17.1.3 Standards for labeling trucks properly.

17.1.4 Material safety data sheets must be supplied for all preservatives used.

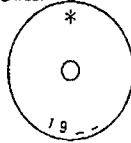
17.2 Contractor personnel must wear prescribed safety clothing, safety equipment and observe safe practices according to the specification referred to above.

18.0 TEST RESULTS

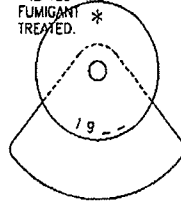
Any product or system being proposed which has not been previously approved by the Company, must have destructive test results included with the proposal. All test to be verified by independent testing if required by Company.

APPENDIX A

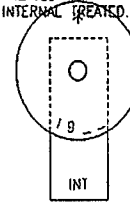
1. GROUND LINE
TREATED.



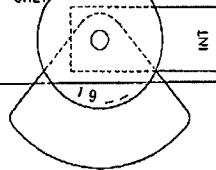
2. GROUND LINE
TREATED AND
FUMIGANT
TREATED.



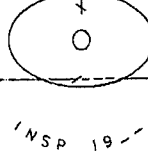
3. GROUND LINE
TREATED AND
INTERNAL
TREATED.



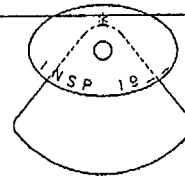
4. GROUND LINE TREATED,
WOODFUMED AND INTERNAL
TREATED OR WOODFUMED
AND INTERNAL TREATED
ONLY.



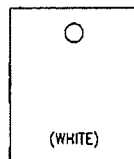
5. VISUAL BUT NOT
GROUND LINE TREATED
(VISUAL OR SOUND
AND BORE).



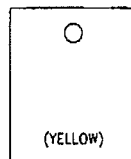
6. FUMIGANT TREATED ONLY.



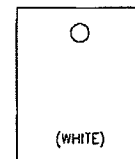
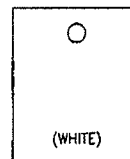
7. REJECT-POLE DOES
NOT MEET CP&L
STRENGTH REQUIRE-
MENTS AND SHOULD
BE REPLACED.



8. REJECT-POLE DOES NOT
MEET CP&L STRENGTH
REQUIREMENTS, BUT CAN
BE GROUND LINE TREATED
AND REINFORCED.



9. REJECT-POLE DOES NOT MEET
CP&L STRENGTH REQUIREMENTS,
SHALL NOT BE CUMBED, AND
SHOULD BE REPLACED AS SOON
AS POSSIBLE.



NOTES:

1. ALL OF THE INSPECTION TAGS SHOWN ABOVE ARE ALUMINUM.
2. INSPECTION TAGS 7, 8 AND 9 SHOWN ABOVE ARE PAINTED THE COLOR INDICATED ON THE TAG.
3. INSPECTION TAGS 7, 8 AND 9 (REJECT TAGS) ARE ATTACHED AND CENTERED ON EXISTING POLES 2" BELOW THE DIS NUMBER. IF FOUND, REPORT TO LOCAL OPERATIONS CENTER.

POLE INSPECTION TAGS